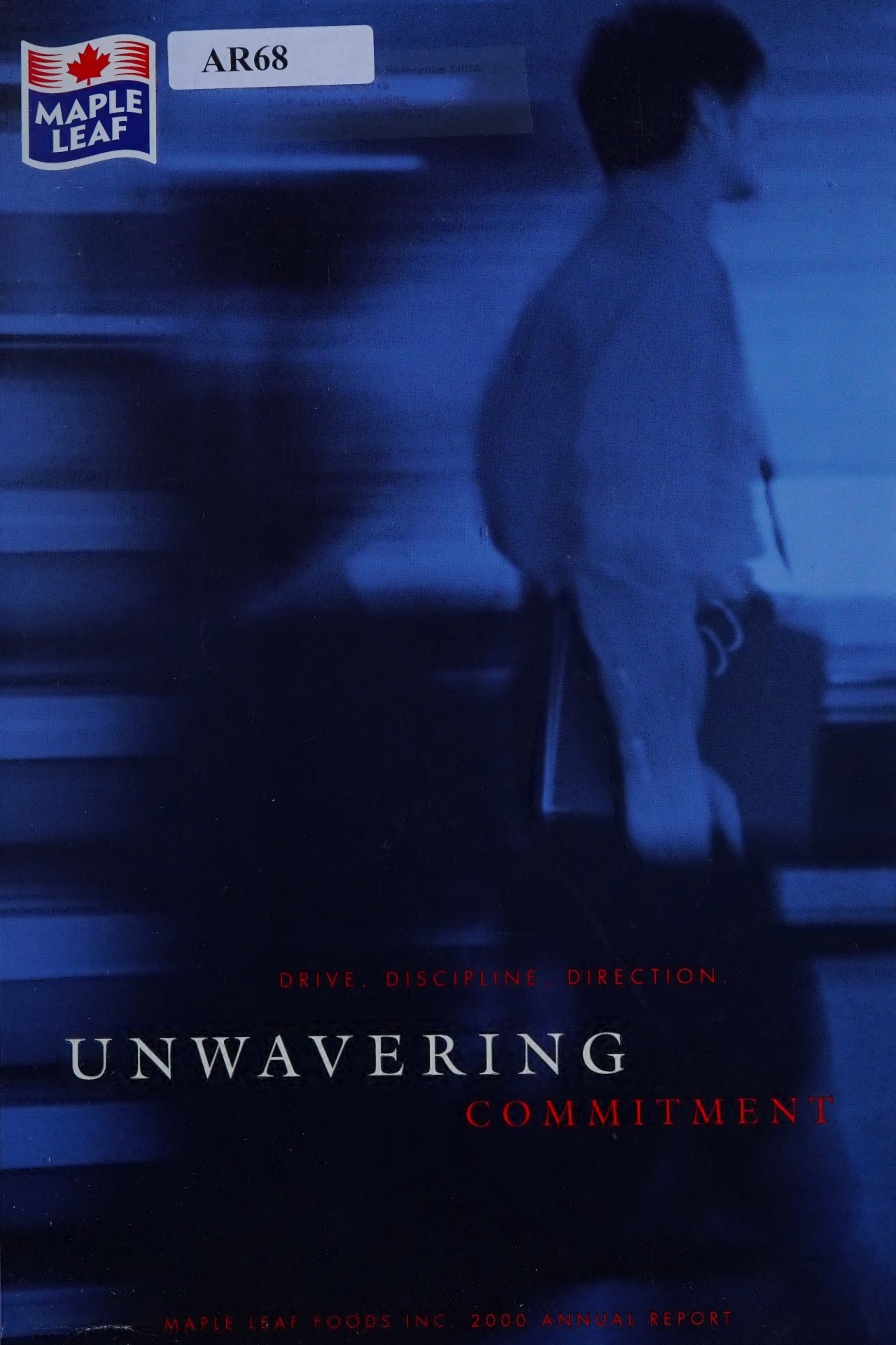
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DRIVE. DISCIPLINE. DIRECTION.

UNWAVERING COMMITMENT

MAPLE LEAF FOODS INC. 2000 ANNUAL REPORT

MAPLE LEAF FOODS INC. WILL BE AN ORGANIZATION THAT CONTINUOUSLY CREATES SUPERIOR SHAREHOLDER VALUE IN THE FOOD INDUSTRY, BENEFITING ALL STAKEHOLDERS.

FINANCIAL HIGHLIGHTS

(In millions of Canadian dollars, except per share and percentage information)

For years ended December 31	2000	1999	1998	1997	1996
CONSOLIDATED RESULTS					
Sales	$ 3,943	$ 3,530	$ 3,281	$ 3,678	$ 3,210
Earnings from Operations, before Unusual Items	90	147	103	117	112
Net Earnings (Loss)	37	77	(23)	47	42
Return on Net Assets Employed(i)	5.4%	9.5%	6.2%	7.7%	7.7%
FINANCIAL POSITION					
Net Assets Employed(ii)	$ 1,298	$ 1,148	$ 998	$ 1,073	$ 1,012
Shareholders' Equity	451	465	395	338	298
Total Net Borrowings	722	566	480	594	583
PER SHARE					
Net Earnings (Loss)	$ 0.34	$ 0.77	$ (0.25)	$ 0.51	$ 0.46
Dividends	0.16	0.16	0.16	0.16	0.16
Book Value	3.77	3.93	3.28	3.64	3.22
NUMBER OF SHARES (millions)					
Weighted Average	95.1	94.4	93.6	92.8	92.2
Outstanding at December 31	95.1	95.0	94.1	93.0	92.3

(i) Earnings before interest (excluding unusual items and, in 1999, one-time gains and losses on business dispositions) and after taxes as a percentage of net assets employed.

(ii) Total assets, less cash and non-interest bearing current liabilities.

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Committed to Our Stakeholders

At Maple Leaf Foods we are looking ahead with Unwavering Commitment. We have made substantial progress in developing and Executing Our Strategies, and in pursuing our long-term goals – we are moving forward with The Drive of Leadership Edge, The Discipline of Six Sigma and The Direction of our Core 7 Strategic Principles.

Building on Strength

We are pleased that all three operating groups – Meat Products, Bakery Products and Agribusiness achieved planned operational improvements during the year.

MEAT PRODUCTS GROUP

(In millions of Canadian dollars)

	2000	1999	% change
Sales to Customers	$ 2,446.6	$ 2,134.2	14.6 %
Earnings (loss) from Operations, before Unusual Items	(11.2)	66.5	(116.8)%
Total Assets	759.2	516.1	47.1 %

Maple Leaf Consumer Foods

Canada's leading provider of branded value-added prepared meat products.

Maple Leaf Pork

Canada's leading processor of fresh, frozen and value-added pork and pork products.

Maple Leaf Poultry

Canada's leading processor of fresh, frozen and branded value-added chicken and turkey products.

Maple Leaf Foods International

Canada's largest global food marketing, distribution and trading operation.

BAKERY PRODUCTS GROUP

(In millions of Canadian dollars)

	2000	1999	% change
Sales to Customers	$ 650.9	$ 675.9	(3.7)%
Earnings from Operations, before Unusual Items	20.4	9.7	110.3 %
Total Assets	483.6	482.3	0.3 %

Canada Bread

Canada Bread Company, Limited, 68% owned, is a leading Canadian manufacturer and marketer of value-added flour-based products, and specialty pasta and sauces.

Maple Leaf Bakery, U.S.A.

A leading producer of frozen par-baked hearth and crusty bread, bagels and specialty bakery products.

AGRIBUSINESS GROUP

(In millions of Canadian dollars)

	2000	1999	% change
Sales to Customers	$ 845.8	$ 719.6	17.5 %
Earnings from Operations, before Unusual Items	80.9	70.7	14.4 %
Total Assets	378.0	441.7	(14.4)%

Shur-Gain/Landmark Animal Nutrition

Recognized as a leading researcher, developer and supplier of quality livestock, livestock nutrition and pet food programs in North America.

Rothsay Rendering

One of the largest renderers in Canada.



Our Progress Report

After several developmental years, our Leadership Edge, Six Sigma and Core 7 Strategic Principles initiatives gained significant momentum in 2000. A brief look at recent milestone developments:

DRIVE

[Leadership Edge]

- Maple Leaf Foods Leadership Academy has become a place that symbolizes our commitment to leadership development and business learning. In a strategic partnership with Richard Ivey School of Business, over 340 top managers attended our Foundations module in 2000
- Launched Maple Leaf Foods "Leadership Hiring" – Designed to greatly increase our ability to identify and attract – "A" players and significantly reduce the cost of mis-hires
- Introduced performance appraisal systems that focus on values, results and potential
- By practicing and selling our leadership values our culture forces better decisions and develops leadership

DISCIPLINE

[Six Sigma]

- Committed a full-time senior executive to champion the development of Six Sigma within the Company, and to coordinate Six Sigma efforts among the various individual businesses
- Trained top management
- Formally launched Six Sigma in 2000 at Maple Leaf Poultry and Maple Leaf Foods International
- Commenced Six Sigma Black Belt training in March 2000; trained 15 full-time Black Belts and 322 employees at a "Green Belt" level by year's end
- Commenced over 50 Black Belt projects; completed 16 Black Belt projects; representing average annual gross savings of over $250,000 per project, plus additional intangible benefits

DIRECTION

[Core 7 Strategic Principles]

- Formally launched our primary business strategy in the protein value chains – Vertical Coordination, which encompasses all aspects of our Core 7 Strategic Principles – in 2000
- Announced two strategically important acquisitions (early 2001) that further extends our market leadership
- Introduced new and consumer-meaningful products such as *Dempster's Original White Bread with fibre* and *Top Dogs Singles*
- Completed manufacturing re-alignment of packaged meats facilities to reduce operating costs



Committed to Our Stakeholders

At Maple Leaf Foods we are looking ahead with unwavering commitment. We have made substantial progress in developing and executing our strategies, and in pursuing our long-term goals – we are moving forward with the drive of Leadership Edge, the discipline of Six Sigma and the direction of our Core 7 Strategic Principles.



DRIVE

[Our Leadership Edge]

WE ATTRACT, DEVELOP, MOTIVATE AND REWARD TOP PERFORMING PEOPLE



Our Leadership Edge Core Values:

1. Do What's Right
2. Be Performance Driven
3. Have a Bias for Action
4. Continuously Improve
5. Be Externally Focused
6. Dare to be Transparent

In 1999, we launched the Leadership Edge – an investment in identifying, developing and retaining the best people. The strategy was, and remains, clear – Competitive Edge Through Leadership, Leaders With Competitive Edge.

The foundation of the Leadership Edge rests in our values listed above and on the premise that great leaders are made, not born. The leadership values drive our culture and the culture, in turn, attracts the right kind of talent to Maple Leaf Foods. It is this talent that will drive our success.

With the building of high performance leadership being one of our leading business strategies, we are prepared to fight in the war for talent. We know that top talent has many career choices; we aim to be the final destination for those leaders.

To this critical end, we have established significant topgrading initiatives that include a Leadership Hiring Process, new performance management and development systems, frequent talent reviews by the Chief Executive Officer, ongoing monitoring of our leaders' development and the formation of a strategic alliance with the Ivey School of Business to ensure our top talent continues to develop to meet increasing business challenges.

Thousands of highly competitive people, thriving in an externally focused competitive culture will drive Maple Leaf Foods forward – that's the Leadership Edge.

OUR LEADERSHIP EDGE

RESULTS



WHO: ANGELA FEBBRARO
CUSTOMER SERVICE MANAGER
MAPLE LEAF CONSUMER FOODS

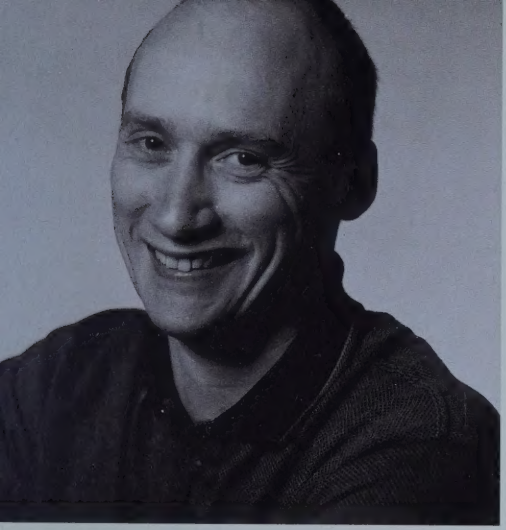
WHAT: LEADERSHIP HIRING PROGRAM

RESULT: CONTINUOUSLY IMPROVE

"The Leadership Hiring Program has proven to be an ESSENTIAL tool to find and retain high performance talent. If I recruit the right person for the right job, not only will the employee ENJOY SUCCESS but ultimately so will the Company."

MAPLE LEAF FOODS IS CREATING THE LEADERSHIP EDGE:

- BY ATTRACTING, DEVELOPING, MOTIVATING AND REWARDING TOP PERFORMANCE PEOPLE
- BY COLLECTING EXPERIENCES FOR INDIVIDUALS
- BY INVESTING IN LEADERSHIP VALUES DEVELOPMENT
- BY INVESTING IN LEADERSHIP SKILLS DEVELOPMENT
- BY REGULAR REVIEW OF THE TALENT POOL
- BY RAISING THE BAR: FORCED RANKING
- BY SEEDING THE ORGANIZATION WITH TOP OF CLASS GRADUATES, FUTURE LEADERS
- BY PRACTICING AND SELLING OUR LEADERSHIP VALUES



WHO: SCOTT SARTISSON
GENERAL MANAGER
MAPLE LEAF RASSAU GmbH
HAMBURG, GERMANY

WHAT: LEADERSHIP ACADEMY
TRAINING PROGRAM
("FOUNDATIONS")

RESULT: HAVING A BIAS FOR ACTION

"Foundations was more than just 5½ days of intense learning and interaction with an outstanding group of leaders. Foundations set the tone for where Maple Leaf is going long term – FASTER, HIGHER, STRONGER – with a focus on our greatest asset – our people."

MAPLE LEAF FOODS LEADERSHIP ACADEMY

MISSION:

- THE MAPLE LEAF FOODS LEADERSHIP ACADEMY WILL BECOME A PLACE THAT SYMBOLIZES OUR COMMITMENT TO LEADERSHIP DEVELOPMENT AND BUSINESS LEARNING

OBJECTIVES:

- TO DEVELOP A STRONG AND COMMON VALUES-BASED CULTURE
- TO BUILD EQUITY IN THE MAPLE LEAF LEADERSHIP EDGE BRAND – A STRONG ELEMENT OF OUR EMPLOYEE VALUE PROPOSITION
- TO FOCUS ON DEVELOPMENT OF THE COMPETENCIES THAT WE NEED TO ACHIEVE OUR MISSION AND EXECUTE OUR STRATEGIES



DISCIPLINE

[Our Six Sigma Strategy]

WE LIVE, BREATHE, EMBRACE, AND EXECUTE SIX SIGMA AS PART OF OUR DAILY ROUTINE



The Four Dimensions of Six Sigma

1. Philosophy
2. Metric
3. Methodology
4. Tools

In 2000 we began what is an ongoing journey. In starting this journey, our overriding focus has been on achieving both tangible, practical early wins, while also learning and building for the long run. Here are some things we've learned and how we will build on these:

1. ***Six Sigma* creates a universal language.** The rigorous application of *Six Sigma*'s methodologies and tools builds a common language that builds cohesion across groups, departments, and businesses.
 - We're increasing our efforts to involve more people, faster, in the basic grammar and vocabulary of this new language through project work, face-to-face training and coaching, and new technologies.
2. **Variability is not a problem but an opportunity.** We're seeing how the tools in the *Six Sigma* tool box help us to not only reduce important controllable variation, but to neutralize variation we can't control.
 - We're using early wins to help managers understand how to see advantage in measuring and managing variation.
3. **A process is a process is a process.** A scientific approach has benefits on both the manufacturing and transactional sides of the business. As we move forward we're deliberately ensuring we reap benefits in all aspects of the business.
4. **It takes leadership.** This last point is not new learning, but a confirmation of something we were pretty sure of: without leadership and leaders, *Six Sigma* won't take a company to new levels of performance.
 - We're continuing to integrate *Leadership Edge* with *Six Sigma* and making a working knowledge of *Six Sigma* philosophy, metrics, methodologies, and tools key to any future leadership position in the Company.

OUR SIX SIGMA RESULTS



WHO: GARTH BAXTER
CHAMPION, SIX SIGMA
MAPLE LEAF FOODS
INTERNATIONAL

WHAT: JAPAN PORK SPECIFICATION PROJECT

RESULT: CUSTOMER SATISFACTION!

"The power and discipline of our Six Sigma tools are beginning to contribute tremendous value, ensuring clarity of requirements and a crisp focus on strategy. The REAL VALUE is the ability of using our own people to tear apart a process, improve it and then reconnect the people back together through a common language."

JAPANESE PORK PROJECT:

- IN MARCH OF 2000, MAPLE LEAF FOODS INTERNATIONAL BEGAN THE TASK OF CREATING DETAILED SPECIFICATIONS FOR OUR CUSTOMERS
- THE FIRST PROJECT TO INVOLVE MAPLE LEAF BUSINESSES (MAPLE LEAF FOODS INTERNATIONAL AND MAPLE LEAF PORK) AND OUR CUSTOMERS DIRECTLY
- SIX SIGMA BROUGHT FOCUS TO CAPTURING THE "CUSTOMER'S VOICE" – WHAT THEY REALLY WANT – TRANSLATING THIS VOICE INTO A MEASURABLE PRODUCT CHARACTERISTIC
- THE OUTCOME HAS BEEN A GIANT LEAP FORWARD IN OUR ABILITY TO OBJECTIVELY MEASURE PORK QUALITY, AND BY BEING EXTERNALLY FOCUSED AND CONSUMER DRIVEN WE HAVE STRENGTHENED OUR BUSINESS RELATIONSHIPS



WHO: KERRY OLIVER
BLACK BELT – SIX SIGMA
MAPLE LEAF POULTRY

WHAT: SIX SIGMA MEASUREMENT PROGRAM

RESULT: IMPROVED PRODUCTIVITY

"Six Sigma's disciplined approach to process improvement is having a REMARKABLE IMPACT on both our people and business results. Completed projects have demonstrated to managers and front line operators alike the power of CUSTOMER FOCUSED measurement and analysis."

BONELESS THIGH DEBONING AND SKINNER PROCESS

PROCESS IN QUESTION:
CHICKEN THIGH PROCESSING

TOOLS AND INSIGHTS:
THE DESIGN OF EXPERIMENT ENABLED US TO IDENTIFY THE CRITICAL ELEMENTS THAT HAD THE GREATEST IMPACT ON THE PROCESS

BENEFITS:
IMPROVED YIELDS FROM THE SKINNER AND DEBONER PROCESS



DIRECTION

[Our Core 7 Principles]

WE CONTINUALLY IMPROVE OUR COMPETITIVE POSITIONING BY EVOLVING AND EXECUTING AGAINST OUR CORE 7 STRATEGIC PRINCIPLES



Our Core 7 Strategic Principles

1. Build high performance leadership
2. Focus on markets and categories where we can lead
3. Develop brand equity
4. Create customer value with Six Sigma processes and products
5. Be the lowest cost producer
6. Execute with precision and continuous improvement
7. Think global

Everything we do at Maple Leaf Foods is guided by our Core 7 Strategic Principles. These derive from our strong belief that the strength of our people, market leadership, brand equity, customer satisfaction, lowest cost production, continuous improvement and global thinking are critical to our current and future success.

Working with these principles as a solid foundation, we develop detailed business strategies for each of our operations. These are tested for internal consistency across our business units and against the Core 7 Strategic Principles. Management then prepares annual budgets which are closely aligned with the business strategies. To varying degrees, the business strategy of one operation overlaps with those of other operations. This is most particularly the case for operations in the Meat Products Group and Agribusiness Group, where they all participate in our Vertical Coordination business strategy.

OUR CORE 7 PRINCIPLES

RESULTS



WHO: JUN ITO
JAPAN TECHNICAL DIRECTOR

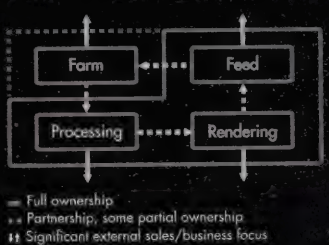
WHAT: VERTICAL COORDINATION

RESULT: BE EXTERNALLY FOCUSED

"Our vertical coordination strategy better aligns the links in the pork and poultry value chains, from genetics and animal nutrition through processing, **IMPROVING RESPONSIVENESS** to consumer needs, enhancing traceability and allowing us to better manage earnings volatility."

CREATING CUSTOMER VALUE AND BUILDING GLOBAL BRAND LEADERSHIP THROUGH VERTICAL COORDINATION

TO GUIDE OUR GLOBAL BUSINESS FOCUS IN THE 21ST CENTURY – ILLUMINATING A PATH TO GLOBAL CATEGORY LEADERSHIP WE LAUNCHED OUR ALTERNATIVE BUSINESS MODEL, "VERTICAL COORDINATION". VERTICAL COORDINATION IS THE PROCESS OF ENHANCING ECONOMIC VALUE. IN THIS INSTANCE, BY MORE CLOSELY ALIGNING LINKS IN THE PORK VALUE CHAIN THROUGH SHARED STRATEGIC VISION, LONG-TERM CONTRACTS, ECONOMIC TRANSFER AND WELL-DEFINED PARTNERSHIPS. WE ARE CONFIDENT THAT THIS BUSINESS MODEL REPRESENTS A SUPERIOR APPROACH.





WHO: SUSAN RYBA
SENIOR DIRECTOR OF MARKETING
MAPLE LEAF BAKERY, U.S.A.

WHAT: FOCUS ON MARKETS
AND CATEGORIES WHERE
WE CAN LEAD

RESULT: BEING PERFORMANCE DRIVEN

"It's an exciting time at Maple Leaf Bakery! With the continued growth of par-baked sales in the U.S., consumers are expecting HIGH QUALITY, fresh baked breads and rolls at their grocers' in-store bakeries. We continue to be the leading manufacturer utilizing the LATEST TECHNOLOGY, while offering our customers marketing solutions for increased sales."

MAPLE LEAF BAKERY: FOCUS ON MARKETS AND CATEGORIES WHERE WE CAN LEAD

MISSION:

- TO BECOME THE LEADING PAR-BAKED BREAD, ROLL AND BAGEL MANUFACTURER IN NORTH AMERICA

OBJECTIVES:

- TO PROVIDE INNOVATIVE PRODUCT SOLUTIONS AND SERVICES, OFFERING CONSISTENT QUALITY PRODUCTS TO OUR CUSTOMERS
- TO DEVELOP LASTING PARTNERSHIPS WITH OUR CUSTOMERS BY OFFERING SUPERIOR PRODUCTS ALONG WITH TAILORED MARKETING PROGRAMS

OUR BRANDS

WE STRIVE TO CONTINUOUSLY PROVIDE OUR CUSTOMERS WITH THE BEST BRANDS EVER!

At Maple Leaf Foods our brands are more than just a name under which we sell our products. They are our consumer trust marks. The Maple Leaf brand first appeared more than 100 years ago in 1898. Over the next century, the Maple Leaf brand has come to stand for quality, freshness and value to consumers.

Building strong national brands such as *Maple Leaf*, *Prime* and *Dempster's*, and supporting them with well-recognized, popular local brands like *Burns*, *McGavins*, *La Belle Fermière* and *Sunrise*, is fundamental to our core business strategy.

Our strategy is to have fewer, stronger brands. As laid out in our Core 7 Strategic Principles, we focus on brands and categories where we can take a leadership position. In every sector of our business we focus on leadership and brand development.

In the Meat Products Group, *Maple Leaf Consumer Foods* markets leading products under the Maple Leaf brand that are recognized favourites with consumers such as *Lean'n Lite* sliced meats, *Ready Crisp* bacon, *Top Dogs* wieners and *Klik* luncheon meats.

Maple Leaf Poultry is responsible for building and marketing *Maple Leaf Prime* poultry products. The market share of *Maple Leaf Prime* products continues to increase with the development of innovative, value-added products.

In 2000, Maple Leaf Pork introduced *Medallion* Pork, a line of flavourful, easy to prepare, moisture enhanced pork products.

In the Bakery Products Group, Canada Bread, one of Canada's leading bakery businesses, was recognized by Food in Canada Magazine as Food Processor of the Year for 2000 based on its innovation and industry leadership in developing strong national brands like *Dempster's*.

In the Agribusiness Group, Shur-Gain and Landmark Feeds combine to create Canada's largest animal feed and nutrition business. *Shur-Gain* and *Landmark* branded livestock feeds have been trusted by producers for decades. In the past few years, Shur-Gain



OUR INNOVATIVE PRODUCT LINE

- TOP DOGS SINGLES
- MAPLE LEAF PRIME
- TENDERFLAKE
- READY CRISP BACON
- OLIVIERI FRESH PASTA AND SAUCES
- SHUR-GAIN COMPLETE FEEDS
- MEDALLION LEAN PORK
- DEMPSTER'S WHOLE GRAINS
- BITTNER'S
- CANINE PLUS
- FELINE PLUS

has entered the consumer market with its *Canine Plus* and *Feline Plus* branded pet foods.

Innovation

What goes in to building a successful brand? At Maple Leaf Foods we consider innovation one of the single most important factors in building and maintaining a successful brand. A brand can be well recognized, however, if over time that brand does not continue to offer value to consumers it will soon be eclipsed in the market.

At Maple Leaf Foods, we strive to make innovation part of everything we do. And, ultimately everything we do focuses on the customer and delivering the quality, value-added products consumers around the world want.

Innovation takes many forms and applies to every area of the business. Our vertical coordination strategy is an innovative approach to managing the pork value chain that is focused on delivering global customers.

We embrace innovative technology and production processes such as our *FLAV-R-LOK* poultry processing process that is used to produce our *Prime* poultry.

In our bakery business, we have become leaders in utilizing par-bake technology to introduce new, value-added products such as *Dempster's* hot and crusty breads, for both retail consumers, and for our in-store bakery customers.

We use research to gain insight into consumers' health concerns and lifestyles to develop new products, such as *Lean'n Lite* sliced meats for those who want great taste with less fat, *Top Dogs* wieners to provide a more nutritionally enhanced hot dog, convenient *Ready Crisp* microwaveable bacon, and *Dempster's* Whole Grains that meet increased demand for nutritious whole grain products.

We've also brought innovation to packaging. Looking at convenient products that suit busy lifestyles we introduced *Top Dogs Singles*.

Unwavering commitment to innovation and brand development will help keep Maple Leaf Foods at the leading edge.





Message from the Chairman

"Your Company is strongly positioned to profitably capitalize on many exciting emerging trends and long term opportunities in the global food industry."

G. Wallace F. McCain
Chairman



LLACE McCAIN | MICHAEL McCAIN | JEFFREY GANDZ | GORD RITCHIE | DON LOADMAN | TED NEWALL

Maple Leaf Foods is at an important turning point in its development. After almost six years of significant investing, the harvesting of rewards lies ahead.

The investment that has been made since 1995 in repositioning the Company for the future goes well beyond the $1.1 billion invested in new plants and equipment, strategic acquisitions and information technology. It also includes the enormous human and intellectual investment involved in restructuring out-of-date operations, building new business competencies, addressing uncompetitive labour contracts, integrating business acquisitions, starting up new plants, building Leadership programs to strengthen and build management capability, implementing Six Sigma and researching and developing business strategies. All of these investments have negatively impacted short-term financial results.

The rewards from these investments will positively impact future financial results. Some of the rewards will be more immediate and obvious than others. Moving the Brandon fresh pork facility from last year's start-up operating loss mode to its single-shift profit potential, and then moving to two-shift operation, will produce large returns. Synergies realized from the Company's recent strategic acquisitions will also be significant. The Bakery operations have significant upside earnings potential, particularly the leading-edge U.S. par-bake operation that was only started a few years ago. Other rewards will not be as separately identifiable and will be realized over longer periods of time.

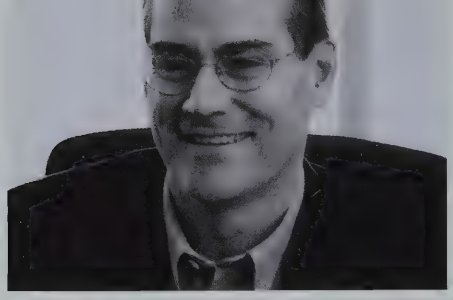
These include the Company's many Leadership Edge and Six Sigma initiatives, and implementation of business strategies such as Vertical Coordination.

I would like to thank the Company's Board of Directors for their continuing interest and hard work. Given the Company's extremely active agenda, it was a particularly active year for the Board.

Finally, I would like to thank my fellow shareholders for their support. The road to success is rarely straight. We have had to navigate our share of curves in the road. But today, unlike six years ago, we have world-class assets, competitively-superior business strategies and an outstanding management team. The future is bright.



BOB HILLER | SCOTT McCAIN | BOB STEWART | JIM HANKINSON | JEAN-CLAUDE DELORME | PURDY CRAWFORD



Michael H. McCain
President and Chief Executive Officer

Fellow Shareholders

The Maple Leaf Foods management team is committed to a vision of becoming a global leader in the pork and poultry value chains, and a North American leader in the bakery business

Summarizing our performance for 2000 – it was a pivotal year strategically, although we are disappointed in the short-term financial results and have taken significant corrective action where appropriate.

- Sales grew by 12% to $3.9 billion, reflecting a massive growth of 48% in sales from our pork business
- Earnings from operations decreased by 34% to $90 million
- Earnings per share decreased 55% to $0.34, negatively impacting our trend line of improvement
- Operating cash flow was $32.1 million
- Average net assets employed grew by 22% to $1.3 billion; however, return on net assets declined to 5.4% for the year
- The Brandon fresh pork processing facility came through a challenging start-up phase
- Continued turnaround in results from the bakery business were delivered, showing a $10.7 million improvement in operating earnings to $20.4 million
- Share price declined 44% year-over-year compared to a peer group increase of 21%

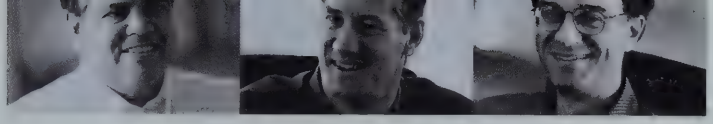
Not a pretty picture. But, short-term financial disappointments only have merit to the extent the underlying causes are not understood or acted upon. In this case, fully 74% of the decline in operating earnings for the year can be accounted for by a single factor –



Shur-Gain Feed Mill
Grand opening of the Shur-Gain 250,000 tonne state-of-the-art swine and poultry complete feed mill at St. Mary's, Ontario.



Maple Leaf Meatheads
Launch of a new value-added instant product, "Maple Leaf Meatheads" available in four different flavours.



Richard A. Lan
Chief Operating Officer
Bakery Products Group

J. Scott McCain
Chief Operating Officer
Agribusiness Group

Tom P. Muir
Chief Financial Officer

the direct costs (indirect costs are in addition) associated with the start-up of the largest single project in the Company's history... the Brandon plant.

We have a responsibility for ensuring sound strategy and precise execution. Brandon, we are convinced, is an exceptional facility located in just the right spot. Over time, it will be the bellwether against which the rest of the global industry is benchmarked. The strategy behind the investment is more than sound – it will be our Edge. While one can always find retroactive fault with the execution, the fact is our small team has been acclaimed within the industry for getting the facility up the start-up curve as quickly as it did.

Notwithstanding the disappointing short-term financial performance, we have clarified the vision for your Company and demonstrated an ***unwavering commitment*** to building the fundamentals – Drive, Discipline and Direction – required to realize this vision. We believe the future to create significant shareholder value is bright.

The Brandon Investment

As Brandon is such a significant component of the current and future performance of your investment, special attention is being paid to the root causes for the operating shortfalls in 2000, the corrective actions, and the strategic positioning of the assets.

We have never lost sight of the fact that the Brandon plant was conceived as the Company's flagship investment to create global competitiveness in our Canadian pork business. The location is ideally suited to take advantage of the world's best quality, lowest cost and highest growth supply of live hogs. There is a world-class supply infrastructure in place, and access to a stable labour pool. The capacity was "net neutral" to Maple Leaf Foods, given our plan to shut down primary processing operations in two other western Canadian facilities. Quality and cost savings justified the original business case for the first shift. The second shift will be brought on stream by year 2003 and driven by hog supply growth, our direct leverage over which was enhanced by the acquisition of The Landmark Group in late 1999 and execution of our Vertical Coordination strategy. The end game is to make Maple Leaf Foods the premier supplier for high quality pork products in a rapidly expanding world market. None of this has changed!

What was the root cause of burdensome high start-up costs? There were four factors contributing to this. First: mechanical performance of the factory. On this front, as was reported last year at this time, the plant has performed well from the outset – a good news story. Secondly: the supply of live hogs. While we initially accelerated production rates on an aggressive schedule, it was not without paying an uneconomic price for livestock. We were compelled to revert back to a more natural pace of supply growth. It was not until late in the year that weekly numbers exceeded 40,000 hogs per week and it won't be until sometime in 2001 that we



Cape Gourmet Cod & Chips
This premium product is made using white meat only and then given a light coat of batter. With fries this product will serve a family of four in 20 minutes.

Rothsay Rendering
is one of Canada's largest renderers involved in recycling animal waste and food by-products.

expect to reach 45,000 first shift capacity. Thirdly, significant people and management issues emerged as production rates hit each new plateau. The primary symptom was plant employee turnover rates and absenteeism. The impact that these two factors have on short-term performance in a start-up phase is considerable. Managerial changes were made and programs put in place to deal with these issues, which are now coming under control. Finally, and most significantly, is the overall sales return (average price) achieved from product sold out of the facility. Sales return is a function of product mix, customer mix, geographic mix, distribution channel mix, and selling price. It is extremely difficult to optimize the overall result of sales return in the early, developmental phase of a facility of this scale and we did not have adequate organizational selling capacity to accommodate the massive immediate 32% increase in volume of pork produced. We have enhanced our managerial capabilities in this area to ensure this will not be the case going forward and your Company will be stronger for it.

Looking back, while other leading companies in the industry have experienced similar or more difficult start-up phases of comparably sized operations in primary meat processing, their larger sized organizations have had a greater ability to buffer the short-term effects.

Going forward, our strategy is sound, the asset is exceptional, and the operations are coming into line as we head into 2001. The current management focus is on selling, performance and sales organization under a new leadership team at Maple Leaf Pork. We expect Brandon to emerge into profitable performance sometime in 2001.

Our Vision

The Maple Leaf Foods management team is committed to a vision of becoming a global leader in the pork and poultry value chains, and a North American leader in the bakery business. What is a value chain? It is the full spectrum of business in producing an animal protein product, from nutrition requirements to farm operations; all the way through primary, value-added, and by-product processing, all in order to meet the needs of as many customers as possible around the world. Some call this – from farm to fork! What is there in common between our protein value chain business and bakery? Little in a product sense, nor does there have to be. What *is* common is leadership, management processes, and core operating strategies, all of which provide solid levels of synergy.

In 1999, we outlined our Three Pillars For Performance in executing this vision. During 2000, one of our most important accomplishments is the fact that we maintained – in the face of near-term pressure – an unwavering commitment to these foundation building initiatives in the Drive of the Leadership Edge, the Discipline of Six Sigma, and the Direction of our Core 7 Strategic Principles.

A Long List of Operating Accomplishments

We made significant forward progress in almost every business in the groups. Each group is fully aligned around either our Vertical Coordination strategy in animal proteins or our North American bakery strategy.

The **Meat Products Group** was mostly influenced by the effects, direct and indirect, of the Brandon start-up. Additionally, rising live hog costs put pressure on primary processing margins for **Maple Leaf**



UNBLEACHED BREAD TV SPOT
DEMPSTER'S WAS THE FIRST COMMERCIAL BAKERY TO SWITCH TO THE NATURAL WHITENING PROCESS, USING ONLY 100% NATURALLY UNBLEACHED FLOUR IN ALL THEIR WHITE BREAD PRODUCTS.



ELITE SWINE INC.
AN IMPORTANT INITIATIVE DURING 2000 WAS THE SUCCESSFUL LAUNCH OF A WESTERN SIGNATURE™ PORK PROGRAM.

Pork, resulting in higher raw material costs for **Maple Leaf Consumer Foods** which experienced margin pressure as well. The Maple Leaf Consumer Foods manufacturing re-alignment project was completed on budget and several exciting new product initiatives were launched in the year, including a new line of meat snacks called *Meatheads*. In May 2000, the Company completed the acquisition of **Hub Meat Packers Ltd.**, the largest processed meat supplier in Atlantic Canada. An excellent team of managers and well-established portfolio of brands was added to the Meat Products Group. **Maple Leaf Poultry** continued to grow the *Maple Leaf Prime* brand of value-added poultry products, with sales growing by 27% to $197 million. Maple Leaf Foods has and will continue to develop a leading competency around the marketing of branded fresh meat products, which can be leveraged in multiple segments. **Maple Leaf Foods International** has been able to position both the Burlington and Brandon primary processing plants as the two premier facilities in North America for Asian markets. Maple Leaf Poultry and Maple Leaf Foods International were the two initial adopters of our Six Sigma processes and have had tremendous early successes. Early in 2001, Maple Leaf Pork announced the acquisition of the fresh pork operations of Schneider Corporation, located in Manitoba. This acquisition will strengthen our overall position in the western Canada pork industry. Both Maple Leaf Pork and Maple Leaf Consumer Foods are developing substantial growth opportunities in the U.S. market for fresh and value-added meat products.

Substantial performance improvement was experienced throughout our **Bakery Products Group.** Earnings from operations increased by $10.7 million to $20.4 million, 57% of which came from **Maple Leaf Bakery** and 43% from **Canada Bread**. Maple Leaf Bakery had positive operating earnings for the first time in its developmental lifecycle. Sales and capacity utilization continue to rapidly expand, with margins expanding concurrently. We fully expect this trend line to continue at Maple Leaf Bakery as our position as the leading in-store par-baked bread company in America begins to reap substantial rewards. We are #1 in this high growth segment of the market! Early in 2001, the largest retailer in the United States chose Maple Leaf Bakery "Supplier of The Year", a tribute to each and every person in that organization who contributed to the success of getting Maple Leaf Bakery to where it is. Canada Bread made similar strides forward in the performance of its business. Supply chain execution (delivering the best quality fresh bread on the market with outstanding consistency and efficiency) improved markedly in 2000 and necessary price advances were made. New product activity has gained momentum at Canada Bread, highlighted by the launch of *Dempster's Originals* – made with unbleached flour and the only leading brand of white bread that is a daily source of fibre. Driven by a desire to unite Canada Bread and Multi-Marques, 25% owned by Canada Bread, into a single, focused national bakery company, in early 2001 Canada Bread announced an agreement to acquire the remaining 75% of Multi-Marques.

The **Agribusiness Group** demonstrated steady and stable performance in 2000, with operating earnings growing 14% to $80.9 million. A full year of earnings from **Landmark Feeds** and **Elite Swine** contributed to this

SUNRISE®

Hub Meat Packers Ltd. The acquisition of Hub Meat Packers Ltd. will strengthen our North American competitiveness.



Landmark Feeds Inc. acquired MSA Terminals in Abbotsford, B.C. – its first operation in B.C. and gave us a Canada-wide presence in the animal feed business.

improvement, as well as the cyclically offsetting benefit of higher hog prices. Another record year was recorded in the **Shur-Gain** organization and progress was made capturing synergies available between the Shur-Gain and Landmark organizations. Nutrition technology and customer care are the basic competitive advantages of these organizations, and we are taking steps to more aggressively commercialize the advances in nutrition technology that are constantly being generated through our extensive research initiatives. Additionally, the Shur-Gain organization is moving rapidly into the e-commerce world with the delivery of nutrition technology to the marketplace via the Internet. Overall, Shur-Gain and Landmark are capturing full benefits of the Maple Leaf Foods Vertical Coordination strategy. Elite Swine was in rapid growth mode in 2000, a pattern that is expected to continue. During the year, production assets were established for an additional 19,200 sows bringing total sows under management to 73,460. Our business plan calls for adding another 26,700 sows in 2001. Finally, **Rothsay Rendering** experienced a difficult commodity year as it faced both declining values for finished products on the world markets, as well as escalating energy costs, which is one of its key cost components.

The Quest for a Leadership Edge

Competitive Edge Through Leadership; Leaders With Competitive Edge. Putting this most fundamental strategy in action was evident throughout the Company in 2000, as it will be for years to come. Management "Topgrading" processes were enhanced and implemented in every business. Career development plans and assessments were actively managed throughout the year. Our Leadership Hiring process is already resulting in better selection decisions. Our Management Trainee program continues to attract the best and brightest. The Maple Leaf Leadership Academy was launched with tremendous results. Over 340 key managers spent a full week at the Academy on our *Foundations Program* with teaching participation from many of our most senior executives. Including Six Sigma development, over 3,660 management days were invested in education at Maple Leaf Foods on multiple programs during the year. Again, we expect this investment pace to be ongoing.

The culture of Maple Leaf Foods is being widely recognized in the marketplace. It is being acclaimed as a great place to be for the right type of person – values based; results oriented; high performance ethic. Our organization treasures speed and agility, with a factual precision and perfection defined only by Six Sigma. We continue to teach and preach our leadership values as the path to success in creating shareholder value. *Leadership Edge* is the ultimate brand we stand for as an organization.

Six Sigma – A Source of Competitive Advantage

We started down the path of Six Sigma mid-way through 1999. It began as a commitment. The deeper we immerse ourselves into the power of the process, the more it evolves from a commitment to a passion. We believe that Six Sigma will be, in concert with the Leadership Edge, the single greatest source of competitive advantage for Maple Leaf Foods. During 2000, we began staffing the process with highly capable resources. By the end of the year we had a Corporate Leader, two



Aquaculture Smolt Tank
The Shur-Gain aquaculture farm is another example of the Leadership Edge program in action.



Feline Plus
Feline Plus is a scientifically formulated line of super premium food prepared with fresh ingredients, naturally preserved with Vitamin E and fortified with additional vitamins and minerals.

full-time operating champions, and 15 Black Belts or Project Leaders. Additionally, we have trained 322 Green Belts (part-time practitioners) in the process. By the end of 2001, we expect the total complement of Six Sigma dedicated resources to exceed 40 people. A typical Six Sigma project uses the project management methodology and statistical analytical tools to find "high performance" solutions to any number of business opportunities. For example, Maple Leaf Poultry was able to statistically prove that altering the process settings and procedures would increase the thigh skinner and deboning first-time yields from 60-70% to over 95% saving over $300,000 per year on this single project. Maple Leaf Consumer Foods is focused on process yields in major facilities using Six Sigma to reach new performance highs, and Maple Leaf Foods International is concentrating its Six Sigma resources on enhanced efficiency of the "factory" in International trading – the order management systems and processes as well as working with Maple Leaf Pork in better understanding and defining the voice of the customer for Japan pork products. Overall at year end, we had over 50 major Six Sigma projects in progress and expect this number to grow rapidly along with the number of Black Belts brought in to the process.

Vertical Coordination – Complex Strategy Made Simple

Never in the history of the Company, has more effort been put into a single business strategy – both analytically and in execution – than Vertical Coordination. While the Core 7 Strategic Principles serve as enablers for our business strategy development, Vertical Coordination *is* our business strategy for the pork and poultry value chains. Through the first half of 2000, the focus of effort was on the underlying analytics. In the face of rapid growth of vertical integration in the United States, what was the Maple Leaf Foods response going to be? What was our business model going to look like? Where would we create our competitive advantage? These were all questions that needed to be and were addressed in our strategic development. While this is a very, very complex transition – actually revolution – that the industry is undergoing, we can boil down the Company's direction with these basic positions: First, we are not advocates of wholesale vertical integration. The objective of vertical coordination is to gain the benefits of vertical integration, without vertically integrating. What are those benefits? Being able to obtain new levels of efficiency, product consistency, and food safety from increased supply chain control of factors such as genetics, nutrition, and traceability of product through the chain. Vertical Coordination draws on the strengths of individual owner/operator producers as partners who have proven to be able to perform more efficiently with less capital than might be required by a corporation.

Executing our Vertical Coordination model through the system is a complex endeavour – a more difficult management challenge than its "integration" cousin. A dedicated organization within Maple Leaf Foods, a virtual operating company so to speak, has been established to lead it. This group is focused on extracting the full benefits of the strategy throughout the Company and aligning each of the businesses. Pilot projects, using Six Sigma methodologies, have been estab-



Cape Gourmet Cooked Seafood

We take great pride in ensuring only the finest quality of South East Asian shrimp are packed for the Cape Gourmet family of products. Cape Gourmet Cooked Shrimp are harvested from shrimp farms in South East Asia and processed in accordance with Maple Leaf's high quality standards.

lished to test new frontiers of translating the voice of our customers in Japan into control variables all the way back to the farm. The primary tactic for duplicating the economic profile of ownership, while stabilizing producer risk and preserving their independence, is an industry leading, innovative cost of production-based supply contract. This was launched under the *Signature*™ Pork program to western Canada in the fall of 2000. Finally, the VC group (as they are known) is leading new risk management activities to better balance commodity risk profiles throughout the Company.

Vertical Coordination is your Company's first tangible business strategy that fully employs all of the fundamentals we have been forging together. It requires excellent leadership throughout the organization to achieve its potential, drawing on all elements of our Core 7 strategic principles and employing the process of Six Sigma to tap new frontiers of value chain benefits. The potential for shareholder value creation over mid-term horizons, sourced from VC, is material to the future of Maple Leaf Foods.

North American Bakery Strategy – Coming Together

As the North American Bakery industry marches forward in restructuring, it becomes increasingly important for Maple Leaf Foods to bring its bakery assets together into a united entity. Both Canada Bread and Maple Leaf Bakery made tremendous operating progress in 2000. This served as the platform for Canada Bread to pursue the acquisition of Multi-Marques, taking its 25% interest up to 100%. The coast-to-coast fresh bread bakery company this will create is better able to access synergies from national scale and better able to meet the needs of a national customer base – an excellent position. Additionally, in a North American quest, the cooperation of effort between Canada Bread and Maple Leaf Bakery will continue to move to new levels. The Bakery strategy of Maple Leaf Foods is coming together.

An Industry Revolution

Similarly, the meat industry has witnessed unprecedented consolidation. The two largest animal protein companies in America announced a merger in early 2001. This was driven by several broad industry trends. First: consolidation; matching that which has occurred in the retail segments. Secondly: growth in brands; brand power will continue to prevail in fresh meat. Thirdly: multi-species diversification. Industry observers relate these trends to a "revolution" of sorts. We feel strongly that Maple Leaf Foods is extremely well positioned against each of the underlying trends. We are a consolidator, we have leading brand competencies, and we are well positioned in two primary growth species. On top of this, we have great people, best-of-class assets, and outstanding products. Let the revolution proceed!

Financial Disciplines for All-Weather Sailing

In the face of a difficult financial year, the strength of our financial team and financial disciplines shone through. One of the most compelling facts for us is that 34% of our asset base has been acquired in just the past 18 months. Clearly we have had start-up issues. While facing these short-term burdens, we have at all times been in tight financial control. The root of this ability is our finely detailed short-term financial reporting systems,



Top Dogs Singles
uses the Fresh Tech™ packaging technology ensuring freshness, ease of frozen wiener separation and "no intervention" microwaving.



Dempster's Whole Grain
Dempster's grain variety breads deliver the full flavour of the whole grain and are packed with protein, vitamins and minerals – naturally low in fat and contain no preservatives.

our forecasting processes, and the management accountability and visibility processes. Our culture is "hands on deck" at all levels and this pays dividends most in the stormy periods.

Due to earnings declines and increased debt financings for acquisitions, our debt/EBITDA ratio climbed to a high of 3.71x at the end of the year. We monitor this ratio very carefully and expect it to migrate lower as returns improve on our relatively new asset base. Operating cash flow, even in a difficult year, remained a solid $32.1 million.

Developing Bench Strength

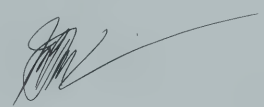
A number of noteworthy bench strength additions were made in 2000. Rick Young was appointed President, Maple Leaf Consumer Foods and Jerry Vergeer was appointed President, Shur-Gain. Both of these individuals are extremely qualified for their positions and making immediate contributions. Making room for the planned retirement of Pat Jones (a 35-year Company veteran), Randy Powell was appointed President, Maple Leaf Pork. Randy is uniquely qualified to lead the transition of this operation into the world of value-added fresh pork products around the world. Kevin Golding was appointed President, Rothsay Rendering. Kevin's leadership of this operation will be instrumental in dealing with new emerging challenges we will face in environmental management and world markets. Finally, Michael Detlefsen was appointed Executive Vice President, Vertical Coordination with a mandate to aggressively implement our most important business strategy.

The Maple Leaf Foods management team is young and dynamic, ready to tackle the world. They reflect the core values of our leadership model.

Unwavering Commitment

Over the past five years, the Company has paid an enormous price – the price of industry leadership; the price of fixing past ills; the price of early development. Concurrently, we have built a foundation based on three pillars for performance: Drive, Discipline, and Direction. It has not been without pain, nor mistake. We hope we have been candid about these, and taken appropriate corrective action where required. But through it all, we have a commitment – an unwavering commitment – that the next five years will bring the harvest from the seeds we have sown.

Once again, as owner/operators we enthusiastically commit to create shareholder value, benefiting all stakeholders.



Michael H. McCain



Richard A. Lan



J. Scott McCain



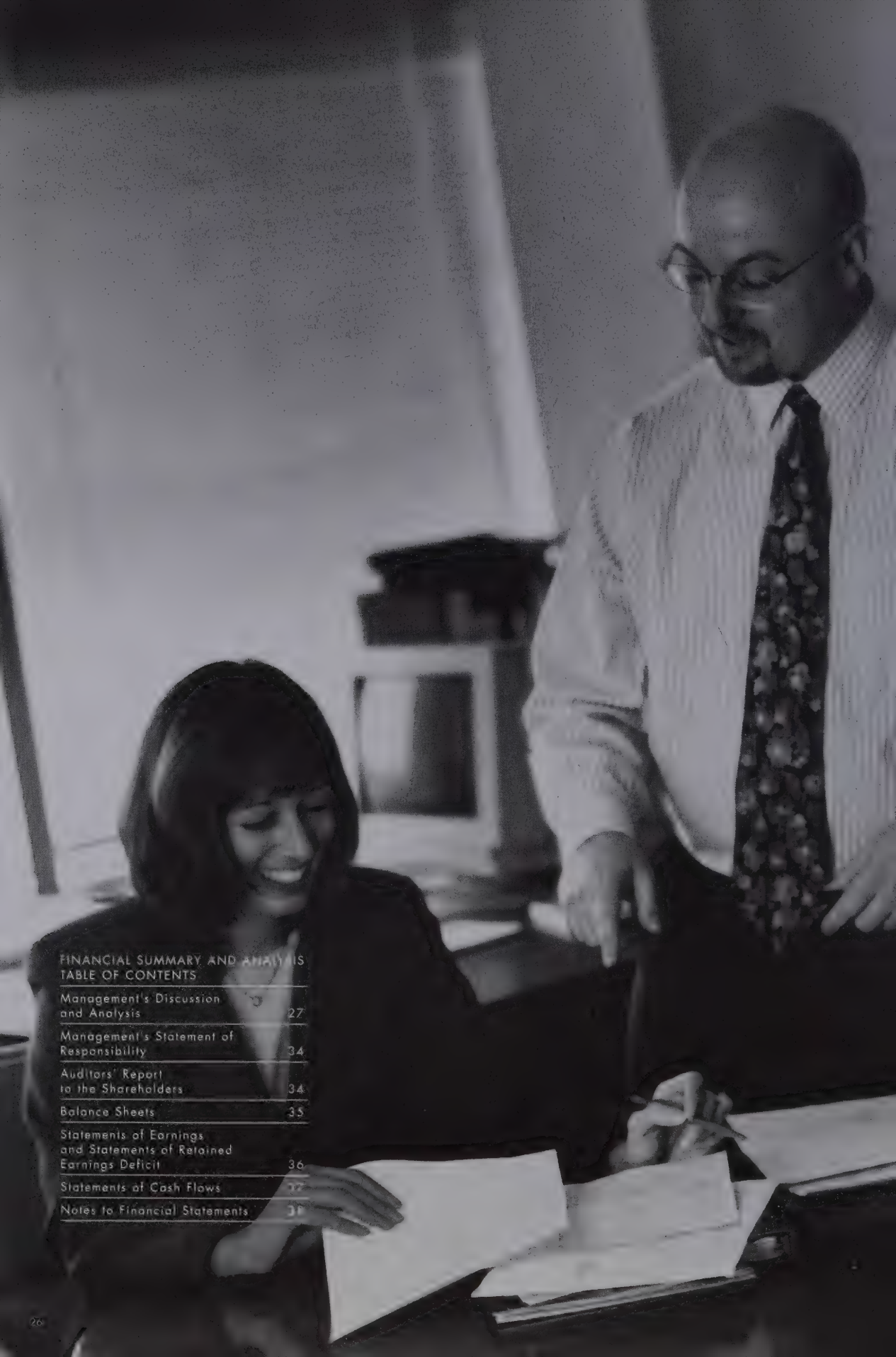
Tom P. Muir



Larsen Packers Limited is majority-owned by Hub Meat Packers Ltd. and based in Berwick, N.S. It produces fresh, processed and cured meats.



Prime Chicken uses the unique Flav-R-Lok process that guarantees chicken that is tender, juicy and full of flavour.



FINANCIAL SUMMARY AND ANALYSIS
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Management's Discussion and Analysis

Overview

Maple Leaf Foods Inc. and its subsidiaries ("Maple Leaf Foods" or the "Company") on the whole had a disappointing year of financial results. The Bakery Products Group and the Agribusiness Group both increased their earnings from the prior year, however, this was more than offset by the financial performance of the Meat Products Group.

Sales for the year of $3.9 billion increased from $3.5 billion in 1999. Earnings from operations for the year, before unusual items, were $90.1 million compared to $146.9 million last year. In 1999, the Company recorded a charge against operating earnings of $11.0 million relating to rationalization of operating processes. Net earnings for the year of $36.8 million ($0.34 per share) compared to $77.2 million last year ($0.77 per share).

Net interest expense in 2000 was $63.7 million compared with $44.0 million in 1999 reflecting higher borrowing levels. The Company's average effective cost of borrowing was 6.9% (1999 – 6.8%) (see Notes 8 and 9 to the Consolidated Financial Statements).

The effective tax rate was 31.6% in 2000 (1999 – 35.3%). The Company's tax rate is discussed in Note 15 to the Consolidated Financial Statements.

The Board of Directors declared quarterly dividends of $0.04 per share ($0.16 per share for the year).

In 2000, Maple Leaf Foods invested $109 million in capital expenditures. The largest projects were: the completion of a new fresh pork facility in Brandon, Manitoba; the completion of a new Shur-Gain feed mill tower in St. Mary's, Ontario; rationalization of the Consumer Foods manufacturing facilities and conversion and upgrading of the Brampton, Ontario poultry plant from conventional poultry processing to the Company's *FLAV-R-LOK* processing system. Further investments continued to be made in the Company's information systems. The Company anticipates 2001 capital expenditures to exceed $90 million.

In May 2000, the Company acquired Hub Meat Packers Ltd. based in Atlantic Canada. The acquisition included the meat processing plants operated by Hub Meat Packers Ltd. in Moncton, New Brunswick, and Larsen Packers Limited in Berwick, Nova Scotia. This acquisition is part of our long-term strategy to develop a world-class, Canadian-based meat processing operation that can compete effectively in an increasingly global market.

Subsequent to year end, the Company announced two significant acquisitions. The purchase of Schneider Corporation's fresh pork operations in Manitoba closed in early March 2001. On January 22, 2001, Canada Bread Company, Limited, 68% owned by Maple Leaf Foods, announced an agreement to increase its ownership in Multi-Marques Inc. from 25% to 100% by purchasing the remaining outstanding shares. This acquisition is subject to regulatory approval.

Other Income

Other income for 2000 of $34.6 million compares to $39.5 million last year. Included in this amount is a net gain before taxes of $16.8 million on the sale of short-term investments and $11.7 million in earnings from the sale of real estate ($8.9 million in 1999). In 1999, other income included gains on the sales of two businesses.

Management's Discussion and Analysis

Meat Products Group

The Meat Products Group is comprised of Maple Leaf Consumer Foods, Maple Leaf Pork, Maple Leaf Poultry, Maple Leaf Foods International and the Hub Meat Packers Group in Atlantic Canada.

The Meat Products Group reported sales of $2.4 billion in 2000 compared with $2.1 billion in 1999. Losses from operations were $11.2 million compared to earnings of $66.5 million in 1999. Start-up costs and operating losses this year at the Brandon pork facility totalling $58.0 million ($24 million of which was capitalized in the first and second quarters) have decreased from $20.0 million in the first quarter to $6.9 million in the fourth quarter. In addition to the Brandon operating losses, Maple Leaf Pork's results continued to be adversely affected by high live hog prices and low margins in the pork industry generally. Maple Leaf Pork's results were also adversely impacted by the absence of contribution from the Winnipeg pork facility which was closed last November.

The Brandon facility performed well mechanically, progress was made in building the size and skill base of its core employee group, and first-shift capacity utilization grew through the year.

At the beginning of May 2000, Maple Leaf Foods completed the purchase of Hub Meat Packers Ltd. and its subsidiary, Larsen Packers Limited. Hub Meat Packers Ltd. employs approximately 1,000 employees. Larsen Packers Limited is majority-owned by Hub Meat Packers Ltd., but operates as a separate company with approximately 400 employees. The businesses produce fresh, processed and cured meat products. Hub and Larsen products are primarily marketed in eastern Canada with some exports to the United States, the Caribbean, Mexico and Asia. Post acquisition results were satisfactory, in spite of a three-week strike at the Moncton, New Brunswick processing plant which ended in November 2000.

In January 2001, the Company announced the purchase of Schneider Corporation's fresh pork operations in Manitoba for $44 million. The acquisition involves two plants both located in Winnipeg; a slaughter facility that processes 18,000 hogs per week; and a new cut plant built for $30 million in the mid 1990s. The cut plant further processes these hogs, plus 14,000 hogs per week supplied by third-party facilities, into value-added pork products. The business operates profitably, and has annual sales of about $300 million. The Company expects the acquisition to be modestly accretive to earnings in 2001.

Maple Leaf Consumer Foods' earnings were lower than anticipated due to margin pressure from higher meat costs and some inefficiencies experienced during the



Pork Shish-K-Bobs
Maple Leaf Medallion Lean & Tender Pork – a line of pork that is specially trimmed and cut into individual portions.



Aquaculture
The Shur-Gain Aquaculture research farm is presently focused on salmon-rearing.

Management's Discussion and Analysis

recently completed manufacturing restructuring which began in late 1999. However, sales improved over last year. Several new programs and products contributed to the improvement including continued success and extension of the *Maple Leaf Top Dogs* line of nutritionally enhanced wieners and a successful launch of *Maple Leaf Top Dogs Singles.*

Maple Leaf Poultry recorded higher sales largely driven by the continued success of *Maple Leaf Prime* branded products, which once again achieved record volumes. Sales of *Maple Leaf Prime* branded poultry products made with the Company's *FLAV-R-LOK* processing system, grew to $197 million in 2000, a compound average growth rate of 38% since 1995.

Maple Leaf Foods International recorded lower earnings than last year as a result of lower pork product volume available for sale to Asia from Maple Leaf Pork. However, this was partially offset by strong meat sales to Mexico. Maple Leaf Foods will complete the exit of its Seafood Products operation in early 2001 after several years of unsatisfactory results.

Bakery Products Group

The Bakery Products Group is comprised of the Company's 68% interest in Canada Bread Company, Limited and Maple Leaf Bakery, U.S.A.

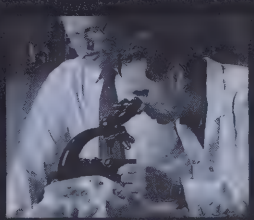
The Bakery Products Group reported sales of $651 million in 2000 compared with $676 million in 1999. Earnings from operations, before unusual items, were $20.4 million, compared with $9.7 million in 1999.

Canada Bread achieved its second round of year-over-year earnings growth by reporting its sixth consecutive quarterly increase in operating earnings in the fourth quarter of 2000, following improvements to its operations which were implemented in 1999. Cost reduction and margin improvement momentum, and renewed focus on investment in people, brands and new products have resulted in consistent improvement in financial performance. During the year, *Dempster's Original with fibre*, a new white bread nutritionally enhanced with fibre, was successfully launched.

At Maple Leaf Bakery, U.S.A., sales of par-baked bread products once again grew significantly year-over-year. With recent strong sales momentum, improving product mix and the higher plant utilization rates, Maple Leaf Bakery was able to record operating earnings in the fourth quarter and a small operating profit for the year.



SHUR-GAIN
OUR NEW HORSE FEED PRODUCTS ROUND OUT THE WIDE RANGE OF QUALITY FEED FOR ALL CLASSES OF HORSES.



MAPLE LEAF FOODS RESEARCH
MAPLE LEAF FOODS HAS A STRONG COMMITMENT TO RESEARCH AND EMPLOYS SKILLED SCIENTISTS IN ALL OF THE FOOD AND ANIMAL NUTRITION-RELATED FIELDS.

Management's Discussion and Analysis

On January 22, 2001, Canada Bread announced an agreement to increase its ownership in Multi-Marques Inc. from 25% to 100%. Multi-Marques is a leading Quebec-based bakery business with annual sales of over $300 million. The company owns and operates 12 baking facilities throughout Quebec, and a bakery in North Bay, Ontario. Multi-Marques also owns 60% of Ben's Bakery in the Maritimes. The acquisition is expected to be modestly accretive to Canada Bread's 2001 earnings and is subject to regulatory approval.

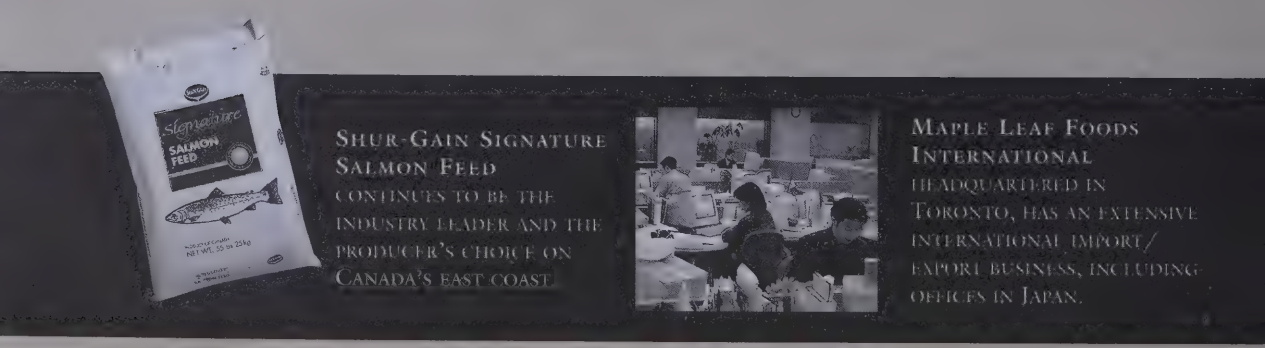
Agribusiness Group

The Agribusiness Group is comprised of the Shur-Gain animal nutrition and pet food business, the Landmark Feeds animal nutrition business, the Elite Swine genetics and hog marketing business and Rothsay Rendering. The Agribusiness Group reported sales in 2000 of $846 million compared with $720 million in 1999. Earnings from operations, before unusual items, were $80.9 million, compared with $70.7 million in 1999.

Sales and operating earnings increases for 2000 are attributable to record results from Shur-Gain's animal feed and fish feed operations and the inclusion of the results of Landmark Feeds and Elite Swine, acquired in the fourth quarter of 1999. The Agribusiness Group's results benefited from the vertical coordination strategy, that contributed to increased feed volumes and resulted in higher earnings from hog production investments. These strong results partially balanced the cyclical low margins of the pork business caused by high hog costs.

During the year, Shur-Gain completed a new $8 million, 250,000 tonne state-of-the-art swine and poultry complete feed mill in St. Mary's, Ontario. The new mill has the capacity to produce 60 tonnes of feed an hour and has an on-site lab as part of Shur-Gain's commitment to ongoing quality assurance. The new mill is a technologically advanced facility with a high level of automation. Operating as a dedicated swine and poultry complete feed mill increases efficiency, lowers operating costs and enhances product quality and consistency. A dedicated mill serving the needs of swine and poultry feed customers is an important link in Maple Leaf Foods' vertical coordination strategy.

During the third quarter of 2000, Maple Leaf Foods acquired Western Animal Nutrition's feed mill in Abbotsford, British Columbia. The addition of this facility provides Maple Leaf Foods with a truly national presence. Through Landmark Feeds in western Canada and Shur-Gain in the east, Maple Leaf Foods is active in the feed business in every province.



Shur-Gain Signature Salmon Feed continues to be the industry leader and the producer's choice on Canada's east coast.

Maple Leaf Foods International headquartered in Toronto, has an extensive international import/export business, including offices in Japan.

Management's Discussion and Analysis

Landmark has embarked upon a capital upgrade to the facility to improve capacity utilization and efficiency.

Elite Swine Inc., Canada's leading hog marketing, feed and genetics provider to pork producers based in western Canada, recorded superior financial results. An important initiative during the year was the successful launch of a western *Signature*™ Pork program in conjunction with the Brandon procurement team and Landmark Feeds. *Signature*™ Pork is an innovative, comprehensive system for modern pork production. It is designed to improve hog quality and the overall competitiveness of the Canadian pork industry by delivering the value-added pork products that global customers demand. First launched in Ontario in August 1996, *Signature*™ Pork has been adapted for western Canadian producers. The system provides a range of support services including: contracts, financial incentives, feeds and nutrition programs, genetics, marketing, risk management, and an innovative Cost of Production contract component. This initiative is an important step in advancing Maple Leaf Foods' vertical coordination strategy. Producers benefit from technical support, financial rewards for quality, and a more predictable cash flow to better manage their businesses. Maple Leaf Foods benefits from having a stable supply of consistent, high-quality hogs for its Brandon plant. The industry benefits by becoming more competitive through the improvement of hog quality, implementation of industry best practices and enhanced coordination of the pork value chain.

Rothsay Rendering is one of Canada's largest renderers involved in recycling animal waste and food by-products into commercial tallow and protein products. Earnings for the year declined due to the impact of lower export prices on tallow products and significant increases in natural gas prices.

Corporate Matters

Capital Resources and Liquidity

Maple Leaf Foods finances its operations primarily out of cash flow from operations. In addition, to provide it with further liquidity, the Company and its subsidiaries and joint venture businesses had aggregate lines of credit totalling $1,211 million at year end with major Canadian and foreign banks. Of this amount, $775 million related to a seven-year committed syndicated facility established in 1997. This lending facility consists of a revolving convertible 364-day facility for $475 million maturing in 2007 (of which $30 million has been converted to a reducing term facility maturing in 2006 and $100 million has been converted to a reducing term facility maturing in 2007), a non-revolving amortizing U.S. $75 million term facility



Maple Leaf Bakery, U.S.A.
Over the past year, Maple Leaf successfully introduced a sandwich line encompassing both the California Goldminer Sourdough brand and the private label segment of the business.



Maple Leaf Foodservice
Tender, delicious, bite-size pieces of chicken breast meat in a light, crispy coating in fun filled shapes of animals.

Management's Discussion and Analysis

maturing in 2005 and a non-revolving amortizing $188 million term facility maturing in 2004. At December 31, 2000 drawings under these facilities were $222 million, U.S. $75 million and $188 million respectively, including drawings of $79 million in respect of letters of credit and trade financing.

In the second quarter, Maple Leaf Foods finalized a $225 million Canadian equivalent placement of 10-year unsecured notes with a group of Canadian and U.S. investors.

In addition, the Company, its subsidiaries and joint venture businesses had other committed and uncommitted borrowing facilities totalling $211 million at December 31, 2000. A total of $52 million was drawn under these operating lines at year end.

During 2000, Maple Leaf Foods and its subsidiaries maintained two accounts receivable securitization programs to provide it with an alternative source of competitively priced financing. Trade accounts receivable sold under these programs is $102 million at December 31, 2000 (1999 – $110 million). In 1999, the Company entered into a $130 million synthetic lease to finance the construction of a hog processing facility in Brandon, Manitoba.

The Company has $91.3 million of 6% convertible debentures outstanding at December 31, 2000. These debentures mature on December 31, 2005. The Company has the option to satisfy payment of principal and interest by the issuance of shares and accordingly the debentures are treated as equity for accounting purposes.

During the year the Company repurchased for cancellation 149,500 of its common shares at an average price of $8.37.

Management is of the opinion that its cash flow and sources of financing provide the Company with sufficient resources to finance ongoing business requirements and its planned capital expenditure program. Additional details concerning financing are set out in the Notes to Consolidated Financial Statements.

Risk Management

The Company has financial risk exposure to varying degrees relating to interest rates, foreign exchange and commodity pricing (including flour, wheat, other grains and livestock). These exposures are managed by interest rate swaps, currency contracts, commodity futures and forward purchase or sale contracts where appropriate. Information on the Company's year-end hedge positions is set out in Note 9 to the Consolidated Financial Statements.

In common with most businesses, the Company faces a certain



Maple Leaf Hot Dogs line of products including Original, BBQ and All Beef are fast, convenient and made from wholesome, tasty ingredients.



Brandon Plant is a state-of-the-art operation integrating the latest technologies and the most innovative practices while incorporating the best features of the world's top hog plants.

Management's Discussion and Analysis

degree of credit risk arising from sales of products on credit terms to customers. Due to the size of the Company, and its diverse businesses, it is not exposed in a material manner to credit risk from one customer or a concentration of related customers. To minimize credit risk, credit limits and terms of sale are established and monitored on a regular basis. For foreign sales and exports, the Company has a policy of entering into export insurance to cover foreign debts where available, or if not, selling on the strength of confirmed trade letters of credit.

Change in Accounting Policies

The Company implemented the new Canadian Institute of Chartered Accountants ("CICA") standard for employee future benefits prospectively effective January 1, 2000. Application of the recommendation did not have a material affect on net earnings or earnings per share.

The Company implemented the new CICA standard for income taxes retroactively effective January 1, 2000, without restatement of prior period financial statements as permitted under the new standards. Application of the recommendation would not have materially affected net earnings or earnings per share as previously reported in 1999. Adoption of the standard resulted in a cumulative reduction to retained earnings at January 1, 2000 of $29.3 million.

Environment

Maple Leaf Foods is conscious of its responsibility to the environment, and each of its businesses operates within an overall environmental policy that has been formally approved by the Board of Directors. Compliance with the policy is monitored on a regular basis by an Environment, Health and Safety Committee of the Board and through independent compliance audits. The Company's emphasis on the environment extends to the operation of its plants and the impact of these operations on air and water quality, the handling of toxic and dangerous materials, and the use of packaging. The Company strives to exceed required environmental compliance, and to provide a safe workplace for its employees. Resources, training and capital expenditures are directed to these areas to ensure that the Company continues to meet its responsibilities. The Company is in material compliance with existing environmental legislation. Expenditures relating to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company.



Maple Leaf Prime Turkey is air chilled ensuring only natural juices in the meat with no excess water.



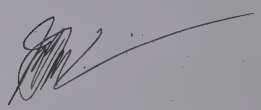
Bread Production Dempster's line of wholesome and delicious breads including grain variety breads, original white and wheat breads, flatbreads and bagels.

Management's Statement of Responsibility

Management recognizes its responsibility for conducting the Company's affairs in the best interests of all its shareholders. The consolidated financial statements and related information in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles which involve the use of judgement and estimates in applying the accounting principles selected. Other financial information in the annual report is consistent with that in the consolidated financial statements.

The Company maintains systems of internal controls which are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets. The Company's independent auditors, KPMG LLP, Chartered Accountants, have audited and reported on the Company's consolidated financial statements. Their opinion is based upon audits conducted by them in accordance with generally accepted auditing standards to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

The Audit Committee of the Board of Directors, all of whom are independent of the Company or any of its affiliates, meets periodically with the independent external auditors, the internal auditors and management representatives to review the internal accounting controls, the consolidated quarterly and annual financial statements and other financial reporting matters. Both the internal and independent external auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings and makes recommendations to the Board of Directors.



M.H. McCain
President and
Chief Executive Officer



T.P. Muir
Chief Financial Officer



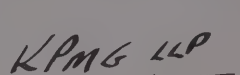
M.H. Vels
Executive Vice-President, Finance

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Maple Leaf Foods Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Toronto, Canada
February 9, 2001

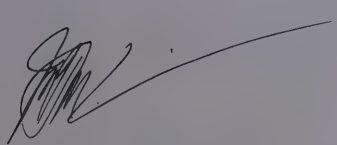
Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31	2000	1999
ASSETS		
Current assets		
Cash	$ 42,053	$ 41,007
Accounts receivable (note 4)	246,966	200,593
Inventories (note 5)	192,335	169,587
Prepaid expenses and other assets	13,546	12,339
	494,900	423,526
Investments in associated companies	95,141	91,275
Property and equipment (note 6)	686,659	639,155
Other long-term assets (note 7)	174,524	153,857
Future tax asset (note 15)	13,945	—
Goodwill	318,746	302,922
	$ 1,783,915	$ 1,610,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	$ 41,852	$ 25,214
Accounts payable and accrued charges	429,286	397,531
Income and other taxes payable	14,960	24,281
Current portion of long-term debt (note 8)	13,334	10,607
	499,432	457,633
Long-term debt (note 8)	708,427	571,095
Deferred income taxes	—	33,900
Future tax liability (note 15)	40,689	—
Other long-term liabilities	6,001	6,545
Minority interest	78,773	76,872
Shareholders' equity (note 10)	450,593	464,690
	$ 1,783,915	$ 1,610,735
Contingencies and commitments (note 18)		
Subsequent events (note 20)		

See accompanying notes to consolidated financial statements.

On behalf of the Board:





Michael H. McCain
Director

R.W. Hiller
Director

Consolidated Statements of Earnings

(In thousands of Canadian dollars, except per share amounts)

Years ended December 31	2000	1999
SALES	$ 3,943,289	$ 3,529,727
Earnings from operations, before unusual items	$ 90,141	$ 146,932
Unusual items (note 3)	—	(10,967)
Earnings from operations	90,141	135,965
Other income (note 13)	34,604	39,514
EARNINGS BEFORE INTEREST AND TAXES	124,745	175,479
Interest expense (note 14)	63,656	43,968
Earnings before income taxes	61,089	131,511
Income taxes (note 15)	19,310	46,364
Earnings before minority interest	41,779	85,147
Minority interest	4,993	7,949
NET EARNINGS	$ 36,786	$ 77,198
EARNINGS PER SHARE	$ 0.34	$ 0.77
Fully diluted earnings per share	0.34	0.75
Weighted average number of shares (millions)	95.1	94.4

Consolidated Statements of Retained Earnings Deficit

(In thousands of Canadian dollars)

Years ended December 31	2000	1999
Deficit, beginning of year		
As previously reported	$ (19,950)	$ (77,373)
Adjustment to reflect change in accounting for income taxes (note 2(h))	(29,334)	—
As restated	(49,284)	(77,373)
Net earnings	36,786	77,198
Dividends declared ($0.16 per share; 1999 – $0.16 per share)	(15,218)	(15,192)
Premium on repurchase of share capital (note 10)	(650)	—
Convertible debenture charge (note 11)	(4,523)	(4,583)
Deficit, end of year	$ (32,889)	$ (19,950)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31	2000	1999
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings	$ 36,786	$ 77,198
Add (deduct) items not affecting cash		
Depreciation	76,922	62,723
Amortization	9,617	8,532
Minority interest	4,993	7,949
Future income taxes	(21,931)	—
Deferred income taxes	—	1,147
Undistributed earnings of associated companies	(6,342)	(2,115)
Gain on sale of property and equipment	(1,228)	(292)
Gain on sale of businesses and short-term investments	(16,828)	(21,430)
Other	4,646	2,881
Non-cash amounts included in unusual items	—	9,307
Change in non-cash operating working capital	(54,535)	(9,271)
	32,100	136,629
Financing activities		
Dividends paid	(15,218)	(15,730)
Dividends paid to minority interest	(2,538)	(6,793)
Increase in long-term debt, net	118,131	53,520
Convertible debenture interest paid	(5,478)	(5,804)
Increase in share capital	1,525	2,103
Shares repurchased for cancellation	(1,251)	—
Other	1,180	(1,475)
	96,351	25,821
Investing activities		
Additions to property and equipment	(108,590)	(121,760)
Proceeds from sale of property and equipment	6,465	6,592
Purchase of net assets of businesses (note 17)	(61,483)	(107,114)
Net reduction in other investments	2,737	—
Net proceeds on sale of short-term investments	16,828	—
Net proceeds on disposal of businesses (note 17)	—	61,417
	(144,043)	(160,865)
Increase (decrease) in cash and cash equivalents	(15,592)	1,585
Cash and cash equivalents, beginning of year	15,793	14,208
Cash and cash equivalents, end of year	$ 201	$ 15,793
Supplemental cash flow information:		
Net interest paid	$ 58,935	$ 42,925
Net income taxes paid	55,598	11,925

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

1. The Company

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is the largest food processing company in Canada, serving wholesale, retail, food service, industrial and agricultural customers across North America and internationally. The Company's results are organized into three segments: Meat Products Group, Bakery Products Group, and Agribusiness Group.

2. Significant accounting policies

The following are the significant accounting policies of the Company. The preparation of periodic financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimates.

(A) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and the Company's proportionate share of the assets, liabilities, revenues and expenses of joint ventures over which the Company exercises joint control. Investments in associated companies, over which the Company exercises significant influence, are accounted for by the equity method.

(B) Translation of foreign currencies

The accounts of foreign subsidiaries, associated companies and joint ventures are translated into Canadian dollars using the exchange rate in effect at the year end for assets and liabilities and the average exchange rates for the year for revenue and expenses. Exchange gains or losses on translation are deferred and included as a separate component in shareholders' equity until realized.

Other monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Exchange gains and losses are recognized in current earnings except for unrealized gains and losses arising on the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining life of the related items. Where the Company enters into forward exchange contracts to hedge the principal and interest on debt payable in foreign currencies, unrealized losses or gains on such contracts are matched with exchange gains or losses on the debt payable.

(C) Financial instruments

The Company enters into hedging arrangements to manage its exposure to currency, commodity price and interest rate fluctuations. The gains and losses on these hedging instruments are recognized in the consolidated financial statements in the same period and are matched with the same financial statement category as the item to which the hedged position relates. Any accrued amounts receivable and payable under the terms of such contracts are included in accounts receivable and accounts payable, respectively.

The Company considers the U.S. dollar borrowings under its term facility to be a hedge of its net investment in its U.S.-based businesses. Any exchange gain or loss on the loan is offset against the unrealized exchange gain or loss arising on translation of the U.S. dollar financial statements of these businesses and is included in the unrealized foreign currency adjustment account in shareholders' equity.

(D) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis.

(E) Property and equipment

Property and equipment are recorded at cost including, where applicable, interest capitalized during the construction or development period.

Depreciation is calculated using the straight-line basis at the following rates which are based on the expected useful life of the asset:

Buildings	2½% to 6%
Machinery and equipment	6% to 33%

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

(F) Deferred financing costs

Costs incurred to obtain long-term debt financing are amortized over the term of such debt and are included in interest expense for the year.

(G) Goodwill

The excess of the purchase price over the estimated fair value of identifiable net assets acquired represents goodwill. Goodwill is amortized on a straight-line basis over periods ranging from 20 to 40 years. The Company annually reviews the carrying value of goodwill to determine if an impairment has occurred. The Company measures the potential impairment of goodwill by comparing the undiscounted value of expected future operating income before income taxes, interest and amortization of goodwill to the carrying value of goodwill. Any permanent impairment in the value of goodwill is written off against earnings.

(H) Income taxes

The Company has adopted The Canadian Institute of Chartered Accountants new income tax accounting standards retroactively, effective January 1, 2000, without restatement of the financial statements of any prior periods as permitted under the standard. The standard requires a change from the deferral method of accounting for income taxes to the asset and liability method of accounting for income taxes.

Under the new standard, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantial enactment date.

Pursuant to the deferral method, which was applied for the year ended December 31, 1999 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes are not adjusted for subsequent changes in tax rates.

The cumulative effect of this change in accounting for income taxes of $29,334,000 is determined as of January 1, 2000 and is reported separately in the consolidated statement of retained earnings deficit as a restatement of the opening balance of retained earnings deficit for the year ended December 31, 2000.

(I) Employee benefit plans

The Company has adopted The Canadian Institute of Chartered Accountants new employee future benefits standard prospectively, from January 1, 2000. Under the new recommendations, the cost of the Company's defined benefit pension plans, post-retirement health, life insurance and other post-employment benefits is accrued as earned, based on actuarial valuations. The Company's pension fund assets are valued at market values and the excess net actuarial gain or loss over 10% of the greater of the benefit obligation and the market value of plan assets is amortized over the average remaining service period of active employees. Employee future benefits are measured using market interest rates on high quality debt instruments.

The application of this accounting standard for the year ended December 31, 2000 does not materially affect net earnings or earnings per share as at December 31, 2000.

(J) Stock-based compensation

The Company has stock option plans for employees. No compensation expense is recognized on the issue of options under stock option plans. Consideration paid by employees on the exercise of stock options is recorded as share capital. The stock option plans are described in note 12.

(K) Statement of cash flows

Cash and cash equivalents are defined as cash and short-term securities with maturities less than 90 days at the date of acquisition, less bank indebtedness.

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

(L) Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

3. Unusual items

The Company recorded a charge in 1999 of $11.0 million ($7.1 million, net of tax), relating to further centralization and streamlining of administrative and operating processes, primarily at Canada Bread Company, Limited ("Canada Bread").

At December 31, 2000, approximately $3.7 million (1999 – $9.3 million) of the earnings charge relating primarily to severance and rationalization costs is included in accounts payable and accrued charges.

4. Accounts receivable

Under revolving securitization programs, the Company has sold, with limited recourse, certain of its trade accounts receivable to financial institutions. At year end, trade accounts receivable amounting to $102 million (1999 – $110 million) had been sold under these programs.

5. Inventories

	2000	1999
Material held for production	$ 95,122	$ 82,913
Finished products	97,213	86,674
	$ 192,335	$ 169,587

6. Property and equipment

	2000	1999
Land	$ 58,073	$ 58,910
Buildings	266,168	249,097
Machinery and equipment	817,109	678,620
Construction in progress	35,518	77,870
Land held for development or sale	10,156	14,756
	1,187,024	1,079,253
Less accumulated depreciation	500,365	440,098
	$ 686,659	$ 639,155

7. Other long-term assets

	2000	1999
Net pension asset (note 16)	$ 123,032	$ 108,856
Notes and mortgages receivable	36,470	26,919
Deferred financing costs	5,344	5,579
Deferred foreign currency translation losses	2,086	2,679
Licences	—	1,432
Other	7,592	8,392
	$ 174,524	$ 153,857

8. Long-term debt

	2000	1999
Revolving term facility (i)	$ 142,505	$ 156,392
Non-revolving term facility (i)	187,500	250,000
Non-revolving term facility (U.S. $75 million) (i)	112,515	108,247
Notes payable (ii)	225,775	—
Notes payable – Landmark Group (iii)	27,999	36,177
Revolving term facilities – Canada Bread (iv)	—	14,500
Other (v)	25,467	16,386
	721,761	581,702
Less current portion	13,334	10,607
	$ 708,427	$ 571,095

(i) The Company's principal lending arrangements with Canadian chartered banks consist of: (a) a committed seven-year, $475 million revolving term facility which is extendible annually at the option of the lenders, or may be converted into a seven-year, revolving/reducing, term facility for any non-extended portion thereof. In 2000 and 1999, $100 million and $30 million were converted to a reducing term loan maturing in 2007 and 2006, respectively; (b) a $187.5 million, non-revolving, reducing term facility maturing by 2004; and (c) a U.S. $75 million, non-revolving, reducing term facility maturing by 2005. These facilities bear interest based on Bankers' Acceptance rates for Canadian dollar loans, and LIBOR for U.S. dollar loans.

As at December 31, 2000, $222 million (1999 – $262 million) of the $475 million revolving facility was utilized,

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

including drawings of $79 million (1999 – $105 million) in respect of letters of credit and trade finance.

Of the borrowings under the $187.5 million facility noted above, $62.5 million matures in 2001. Of the borrowings under the U.S. $75 million facility noted above, U.S. $7.5 million matures in 2001. The Company intends to replace these with borrowings under the $475 million revolving facility.

(ii) In April 2000, the Company issued $225.8 million of notes payable to various U.S. and Canadian institutional investors. The notes payable issued under this transaction include a Canadian dollar denominated tranche (Series A) for Canadian $115.0 million, bearing interest at 7.74% per annum, and a U.S. dollar denominated tranche (Series B) for U.S. $75 million, bearing interest at 8.47% per annum. Through the use of cross-currency swaps (see note 9), the Company converted the U.S. dollar tranche into Canadian dollar denominated debt, resulting in a total Canadian dollar denominated debt of $225.8 million for the two tranches at a combined effective fixed interest rate of 7.74% per annum. The notes are repayable on April 28, 2010.

(iii) In October 1999, the Company issued $36.2 million in notes payable in partial consideration for the acquisition of The Landmark Group Inc. These notes bear interest at 5.75% and are repayable over various terms to maturity from 2000 to 2003.

(iv) Canada Bread, a 68% owned subsidiary of the Company, has two revolving facilities with Canadian chartered banks for $20 million each. Of these facilities, $20 million is available through September 2003 and is extended annually at the lender's option. The second $20 million facility will mature in December 2001. These facilities bear interest based on Bankers' Acceptance rates for Canadian dollar loans and LIBOR for U.S. dollar loans. As at December 31, 2000, no amount (1999 – $14.5 million) had been drawn under these facilities.

(v) Subsidiaries of the Company have various lending facilities with interest rates ranging from non-interest bearing to 8.3% per annum. These facilities are repayable over various terms from 2001 to 2009. As at December 31, 2000, $25.5 million (1999 – $16.4 million) was outstanding.

Required repayments of long-term debt for the next five years and thereafter are as follows:

2001	$ 13,334
2002	101,364
2003	112,700
2004	109,671
2005	81,505
Thereafter	303,187
	$ 721,761

9. Derivative financial instruments and risk management

In the ordinary course of business, the Company enters into derivative financial instruments to reduce underlying fair value and cash flow risks associated with foreign currency and interest rates.

Foreign currency risk management

The Company uses foreign currency forward contracts to manage its currency exposures. These currency exposures relate primarily to U.S. dollar ("USD") and Japanese yen ("JPY") denominated export sales and, to a much lesser extent, expenditures denominated in other foreign currencies. The following table summarizes the Company's principal net commitments to sell foreign currency under forward contracts at December 31, 2000 and 1999:

	Currency	Notional currency amount	Average exchange rate	Maturity
2000		(000's)		
Sales contracts	**USD**	**133,112**	**1.4671**	**2001**
	JPY	**1,585,203**	**0.0138**	**2001**
1999				
Sales contracts	USD	148,704	1.4317	2000
	JPY	1,155,001	0.0144	2000

At December 31, 2000, of the Company's $133 million in outstanding commitments to sell forward U.S. dollars, $66 million related to sales already made or committed to customers. The remaining $67 million of these contracts, which may be extended at maturity based on then current

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

interest rates, are designated as hedges of forecast export sales related to future fiscal periods as follows:

2001	$ 47,000
2002	20,000

Based on the exchange rates at December 31, 2000, the Company would have incurred a loss of $3.2 million (1999 – $0.9 million) to settle all its commitments under its outstanding foreign exchange forward contracts.

Interest rate risk management

The Company uses a variety of interest rate derivative instruments, including swaps, caps and collars to manage its exposure to interest rate fluctuations. The aggregate notional principal outstanding under these contracts was as follows:

	2000	1999
CAD Swaps	$ 380,000	$ 500,000
USD Swaps	15,000	15,000
USD Collars	60,000	60,000

The various swap contracts have fixed rates that range from 5.47% to 7.87% (1999 – 5.47% to 7.87%). These swap contracts, which mature between 2003 and 2009, have a weighted average term to maturity of 6.35 years (1999 – 7.66 years).

The USD collars have caps that range from 6.55% to 7.08% (1999 – 6.55% to 7.08%) and floors that range from 5.45% to 5.75% (1999 – 5.45% to 5.75%). These collars mature in 2002.

At year end, these agreements, in aggregate, addressed the Company's interest rate exposure in respect of its outstanding floating rate debt and asset securitization program in addition to a portion of the Company's commitment under its financing arrangement in respect of a hog processing plant in Brandon, Manitoba (note 18(a)).

In addition to the above-noted interest rate instruments, the Company also entered into a $75 million USD cross-currency swap in April, 2000. This contract was entered into to swap the currency and interest payments of the Company's U.S. $75 million Series B notes payable to Canadian dollars (note 8). This swap locks in the Canadian equivalent of the notes and results in the Company paying a combined effective fixed interest rate of 7.74% on these notes.

Based on market values at December 31, 2000, the Company would have incurred a loss of $19.4 million (1999 – $6.5 million) to terminate the above-noted interest rate derivative contracts. Market values were determined based on information received from the Company's counterparties to these contracts.

The Company's blended average effective cost of borrowing for 2000 was 6.9% (1999 – 6.8%) after adjusting for all of the above-noted interest rate derivative instruments.

10. Shareholders' equity

Shareholders' equity consists of the following:

	2000	1999
Share capital	$ 382,957	$ 382,033
Convertible debentures (note 11)	92,445	91,265
Deficit	(32,889)	(19,950)
Unrealized foreign currency adjustment	8,080	11,342
	$ 450,593	$ 464,690

The authorized share capital of Maple Leaf Foods consists of an unlimited number of common shares and 23,400,000 non-voting common shares of which 22,000,000 are issued and outstanding as at December 31, 2000 and 1999. The non-voting common shares carry rights identical to those of the common shares except that they have no voting rights other than as specified in the Canada Business Corporations Act. Each non-voting common share is convertible at any time into one common share at the option of the holder. Holders of non-voting common shares have a separate class vote on any amendment to the articles of the Company if the non-voting common shares would be affected by such amendment in a manner which is different from the holders of common shares.

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

Details of share transactions during the year are as follows:

	Number of shares	Share capital
Balance, December 31, 1998	94,125,760	$ 371,954
Issued for cash on exercise of options	293,404	2,103
Shares issued related to acquisitions (note 17)	571,500	7,976
Balance, December 31, 1999	94,990,664	382,033
Issued for cash on exercise of options (note 12)	216,012	1,525
Shares repurchased for cancellation	(149,500)	(601)
Balance, December 31, 2000	95,057,176	$ 382,957

During the year, the Company repurchased for cancellation 149,500 common shares pursuant to a normal course issuer bid at an average price of $8.37 per share. The excess of the purchase cost over the book value of the shares was charged to retained earnings deficit.

11. Convertible debentures

On December 10, 1998, the Company completed a private placement of $91.3 million in convertible unsecured subordinated debentures for net proceeds, after costs, of $90.0 million. The debentures mature on December 31, 2005 and bear an interest rate of 6% per annum. The debentures may be converted by the debenture holders into common shares of the Company at a conversion price of $15.00 per share (subject to adjustment upon the occurrence of certain dilutive events), any time prior to maturity or the day immediately preceding the date fixed for redemption. If all of the debentures are converted, 6,086,667 common shares of the Company would be issued.

At its option, the Company may redeem the debentures on or after December 8, 2002 and until December 8, 2004, provided that the 20-day average share price is not less than 125% of the conversion price. On and after December 8, 2004, the debentures will be redeemable at the Company's option at any time at par plus any accrued and unpaid interest.

The Company has the unrestricted option to satisfy payment on the redemption or maturity of the debentures, and its interest obligations, by issuing common shares of the Company. Accordingly, the convertible debentures have been classified as equity, including $7.3 million of the proceeds allocated to the value of the debenture holders' conversion option. Carrying charges, including coupon interest, on an after-tax basis, are classified as a distribution of equity and as a prior deduction in calculating earnings per common share.

12. Share options

Under the Maple Leaf Foods Share Option Plan as at December 31, 2000, the Company may grant options to its employees and employees of its subsidiaries for up to 8,950,400 shares of common stock. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors on the recommendation of the Human Resources and Compensation Committee. The vesting conditions are specified by the Board of Directors and may include continued service of the employee with the Company and/or other criteria based on a measure of the Company's performance.

A summary of the status of the Company's stock option plans as at December 31, 2000 and 1999, and changes during these years is presented below:

	2000		1999	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	6,805,857	$ 11.66	5,072,308	$ 11.10
Exercised	(216,012)	7.06	(293,404)	7.17
Granted	3,113,340	10.11	2,295,277	12.63
Expired	(1,117,980)	11.58	(268,324)	14.29
Outstanding, end of year	8,585,205	$ 11.22	6,805,857	$ 11.66
Options currently exercisable	3,142,969	$ 10.89	1,942,652	$ 9.16

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

All outstanding share options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant and/or upon the achievement of specified performance targets (based on return on net assets, earnings, share price or total stock return relative to an index). The options have a term of between seven to ten years. The number of share options outstanding at December 31, 2000 together with details regarding time and performance vesting conditions of the options are as follows:

	Options outstanding			Options currently exercisable		Options subject to timing vesting only		Options subject to performance vesting	
Range of exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining term of options (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
$ 5.26 to 8.03	1,467,503	$ 7.08	2.0	1,387,763	$ 7.08	79,740	$ 7.16	—	$ —
8.36 to 11.10	2,368,500	9.14	6.6	2,400	8.83	600	8.83	2,365,500	9.14
11.94 to 13.25	3,171,511	12.31	5.3	841,415	12.27	239,986	12.28	2,090,110	12.33
14.00 to 18.47	1,577,691	16.00	4.8	911,391	15.43	243,600	18.47	422,700	15.80
$ 5.26 to 18.47	8,585,205	$ 11.22	5.0	3,142,969	$ 10.89	563,926	$ 14.23	4,878,310	$ 11.08

13. Other income

	2000	1999
Earnings from associated companies	$ 2,432	$ 2,747
Net gain on sale of businesses	—	21,430
Gain on sales of real estate development properties	11,678	8,870
Gain on insurance proceeds	1,525	6,548
Gain on sale of property and equipment	1,228	292
Gain on sale of short-term investments	16,828	—
Other	913	(373)
	$ 34,604	$ 39,514

14. Interest expense

	2000	1999
Interest expense on long-term debt	$ 53,857	$ 40,614
Net interest expense on short-term debt and accounts receivables securitization (note 4)	9,799	3,354
	$ 63,656	$ 43,968

During the year, $0.2 million (1999 – $0.8 million) of interest was capitalized to property and equipment.

15. Income taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rate as a result of the following:

	2000	1999
Expected income tax expense based on statutory income tax rate of 44.9% (1999 – 44.2%)	$ 27,453	$ 58,162
Increase (reduction) in income taxes resulting from:		
Adjustment to net future tax liabilities for changes in tax laws and rates	(5,004)	—
Manufacturing and processing credit	(2,643)	(6,704)
Non-taxable gains	(2,427)	(2,705)
Fair value increments	—	557
Non-deductible goodwill	2,515	2,560
Equity in earnings of associated companies	(3,243)	(1,065)
Large Corporations Tax	1,047	985
Differences in book and tax basis	—	(6,363)
Other	1,612	937
	$ 19,310	$ 46,364

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2000 are presented below:

Future tax assets:	
Non-capital loss carryforwards	$ 98,068
Accrued liabilities	10,948
Deferred interest deductions	6,373
Other	3,748
	$ 119,137
Future tax liabilities:	
Property and equipment	$ 80,043
Cash basis farming	6,595
Investments in affiliated companies – undistributed income of affiliated companies	9,095
Net pension asset	43,129
Other	8,027
	$ 146,889
Classified in the consolidated financial statements as:	
Future tax asset non-current	$ 13,945
Future tax liability current (included in income and other taxes payable)	(1,008)
Future tax liability non-current	(40,689)
Net future tax liability	$ (27,752)

16. Pensions and other post-retirement benefits

Information about the Company's defined benefit plans as at December 31, 2000, in aggregate, is as follows:

Accrued benefit obligation:	
Balance, beginning of year	$ 610,410
Current service cost	7,238
Interest cost	44,755
Benefits paid	(58,431)
Actuarial gains	29,997
Employee contribution	4,420
Balance, end of year	$ 638,389
Plan assets:	
Fair value, beginning of year	$ 1,016,383
Actual return on plan assets	111,896
Employer contributions	1,351
Employees' contributions	4,420
Benefits paid	(58,431)
Fair value, end of year	$ 1,075,619
Funded status – plan surplus	$ 437,230
Unamortized transition amount	(289,739)
Unamortized net actuarial gain	(2,387)
Valuation allowance	(22,072)
Accrued benefit asset	$ 123,032

The significant actuarial weighted average assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Discount rate	7.0%
Expected long-term rate of return on plan assets	8.0%
Rate of compensation increase	4.5%

The Company's net benefit plan income for the year ended December 31, 2000 is as follows:

Current service cost	$ 7,238
Interest cost	44,755
Expected return on plan assets	(79,513)
Amortization of transitional obligation	(5,183)
Valuation allowance provided against accrued benefit asset	22,072
Curtailment gains	—
Net benefit plan income	$ (10,631)

17. Acquisitions and divestitures

2000

In May 2000, the Company purchased all the outstanding shares of Hub Meat Packers Ltd. and Larsen Packers Limited for cash consideration. This acquisition included two beef and pork processing plants located in Moncton, New Brunswick and Berwick, Nova Scotia.

In May 2000, the Company purchased the net assets of Precision Feeds Ltd., a feed mill located in Winnipeg, Manitoba.

In August 2000, the Company purchased the net assets of Western Animal Nutrition Inc., a feed mill located in Abbotsford, British Columbia.

1999

In January 1999, the Company purchased all the shares of Harold Schiltz Inc., a feed mill located in Buffalo, New York.

In May 1999, the Company sold Country Style Foods Services Inc., its Franchising Operations. A gain of $9.7 million was realized on this transaction.

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

In August 1999, the Company purchased the net assets of Multi-Mar Pet Products, a pet food distributor in Ontario and Quebec.

In October 1999, the Company purchased all the outstanding shares of The Landmark Group Inc., which comprises Landmark Feeds Inc., a leading manufacturer and provider of feed for all species of livestock, and Elite Swine Inc., a hog marketing, feed and genetics provider to pork producers in western Canada. The consideration for the acquisition included cash, notes payable and issuance by the Company of 571,500 common shares (note 10).

In November 1999, the Company sold the assets of its 61.5% ownership in Canbrands International Ltd. A gain of $18.7 million was realized on this transaction.

Details of net assets acquired in 2000 and 1999 are as follows:

	2000	1999
Bank indebtedness	$ (6,187)	$ (9,897)
Net working capital	23,774	11,761
Other receivables	3,168	—
Fixed assets	28,259	33,978
Investments	261	19,494
Goodwill	23,561	79,820
Long-term debt	(15,669)	(16,916)
Deferred income taxes	—	(2,752)
Future income taxes	(1,871)	—
Minority interest	—	(398)
	$ 55,296	$ 115,090

Included in the acquisition cost are accruals of $9.2 million (1999 – $8.1 million) in respect of restructuring and other related costs.

18. Contingencies and commitments

(a) In October 1999, the Company entered into a synthetic lease to finance $130 million of the cost of construction of the new hog processing facility in Brandon, Manitoba. Under the agreement structured with a conditional sales arrangement, the Company has the option to purchase the facility at the end of the seven-year term or to put the facility back to the seller. The obligations under this arrangement have been accounted for as an operating lease (note 18(d)).

(b) The Company has been named as defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

(c) In the normal course of business, the Company enters into sales commitments with various customers, and purchase commitments with various suppliers. These commitments are for varying terms, and can provide for fixed or variable prices. The Company believes these contracts serve to reduce risk, and it is not anticipated that losses will be incurred on these contracts.

(d) The Company has operating lease commitments in respect of property and equipment used in operations which require minimum annual payments as follows:

2001	$ 33,763
2002	30,357
2003	35,519
2004	29,237
2005	25,376
Thereafter	22,172
	$ 176,424

19. Segmented financial information

The Company's operations are classified into the following three primary business segments, which have been used for the operating segment disclosures for all years presented:

(i) Meat Products Group includes the Company's meat and meat-related businesses, comprising the fresh pork, prepared meats, poultry and international food trading operations.

(ii) Bakery Products Group includes the Company's 68% interest in Canada Bread and its wholly-owned U.S. bakery operations.

Notes To Consolidated Financial Statements

Years ended December 31, 2000 and 1999 (Tabular amounts in thousands of Canadian dollars, except share amounts)

(iii) Agribusiness Group includes the Shur-Gain and Landmark feed and pet food businesses, Elite Swine Inc., and the Rothsay rendering business and poultry growing and hatching operations.

(In millions of Canadian dollars)	2000	1999
Sales to customers		
Meat Products Group	$ 2,446.6	$ 2,134.2
Bakery Products Group	650.9	675.9
Agribusiness Group	845.8	719.6
	$ 3,943.3	$ 3,529.7
Earnings (loss) from operations, before unusual items		
Meat Products Group	$ (11.2)	$ 66.5
Bakery Products Group	20.4	9.7
Agribusiness Group (i)	80.9	70.7
	$ 90.1	$ 146.9
Capital expenditures		
Meat Products Group	$ 74.4	$ 65.1
Bakery Products Group	14.6	34.9
Agribusiness Group	19.6	21.8
	$ 108.6	$ 121.8
Depreciation and amortization		
Meat Products Group	$ 37.7	$ 26.7
Bakery Products Group	31.6	30.1
Agribusiness Group	17.2	14.5
	$ 86.5	$ 71.3
Total assets		
Meat Products Group	$ 759.2	$ 516.1
Bakery Products Group	483.6	482.3
Agribusiness Group	378.0	441.7
Non-allocated assets	163.1	170.6
	$ 1,783.9	$ 1,610.7

(i) The Agribusiness Group operating earnings include the Company's share of after-tax earnings from equity accounted hog investments in the amount of $5.0 million and $0.4 million for the year ended December 31, 2000 and 1999, respectively.

Export sales in the year ended December 31, 2000 were approximately $973 million (1999 – $697 million).

20. Subsequent events

On January 12, 2001, the Company entered into an agreement with Schneider Corporation to purchase its two fresh pork operations in Manitoba. The purchase price of $44 million relates to acquiring fixed assets and working capital and is subject to adjustment on closing. The transaction closed in early March 2001.

On January 22, 2001, Canada Bread reached an agreement to increase its ownership in Multi-Marques Inc. from 25% to 100% by acquiring the remaining outstanding shares from the other shareholders. The purchase will represent a net investment of approximately $125 million and will be financed with new long-term debt of Canada Bread. Finalization of the transaction is dependent on clearance of the transaction under the Competition Act.

Corporate Governance

The Board of Directors, management and the two largest shareholders of the Company believe strongly in the importance of good corporate governance as a mechanism for ensuring that the affairs of the Company are conducted to the best advantage of all its shareholders with due regard to other stakeholders' interests. Accordingly, the Board has adopted a policy of conforming to best practices and to observe to the greatest extent practicable, the guidelines adopted in December 1994 by the Toronto Stock Exchange Committee on Corporate Governance (the "TSE Guidelines"). A more complete description of the Company's approach to Corporate Governance is contained in the Company's Management Proxy Circular.

Compliance with the TSE Guidelines

The Company meets all but one of the TSE Guidelines. Responsibility for nominations to the Board are subject to an agreement entered into on April 24, 1995 between the Company's two largest shareholders whereby the Board shall comprise five nominees of McCain Capital Corporation ("MCC"), three nominees of Ontario Teachers' Pension Plan Board ("OTPPB") and five independent directors. The composition of the Board has not changed since the agreement expired on April 24, 2000.

Composition of the Board of Directors

The Board consists of twelve members. The Board is of the view that as at the fiscal year end at least seven of the twelve directors are independent in that they do not have interests in or relationships with either the Company or its significant shareholders, MCC and OTPPB. The Board has also concluded that nine directors are "unrelated" as the term is used in the TSE Guidelines.

In 2000, the Board appointed Mr. Purdy Crawford to the newly-established position of Lead Director to act as Chairman of the *in camera* meetings of the directors.

A more comprehensive analysis of corporate governance matters is included in the Management Proxy Circular for the April 27, 2001 Annual Shareholders' Meeting.

Committees of the Board of Directors

Audit Committee
R.W. Hiller, *Chairman*
J.-C. Delorme
D.E. Loadman
J.E. Newall
G. Ritchie

Corporate Governance Committee
P. Crawford, *Chairman*
J.-C. Delorme
J.F. Hankinson
G.W.F. McCain
R.T. Stewart

Environment, Health and Safety Committee
R.T. Stewart, *Chairman*
J. Gandz
R.W. Hiller
D.E. Loadman

Human Resources and Compensation Committee
J.E. Newall, *Chairman*
P. Crawford
J. Gandz
J.F. Hankinson
G. Ritchie

Board of Directors

Purdy Crawford O.C.
Counsel, Osler, Hoskin & Harcourt (Law firm)
Chairman, AT&T Canada Corp.
Mr. Crawford is also a director of a number of Canadian companies including Canadian National Railway Inc. and Petro-Canada. Until 1995, Mr. Crawford was Chairman, President and Chief Executive Officer of Imasco Limited and Chairman of CT Financial Services, Inc. From 1995 to February 2000, he was non-executive Chairman of Imasco Limited and Canada Trust.

Jean-Claude Delorme O.C., O.N.Q.
Corporate Director and Consultant
Mr. Delorme serves on the boards of directors of a number of Canadian and international companies including Standard Life Group, Scotland, U.K. He was Chairman of the Board and Chief Executive Officer of the Caisse de dépôt et placement du Québec until 1995. Mr. Delorme has also served as President and Chief Executive Officer of Teleglobe Canada and was Secretary and General Counsel to Expo '67.

Jeffrey Gandz
Professor, Richard Ivey School of Business, The University of Western Ontario
Dr. Gandz has been a consultant for many Canadian corporations and government departments, and has authored several books, articles and government reports on a variety of subjects including leadership, management and organizational effectiveness.

James F. Hankinson
President and Chief Executive Officer, New Brunswick Power Corporation (Electric power utility)
Mr. Hankinson is a director of several Canadian companies including New Brunswick Power Corporation and C.A.E. Inc. He was President and Chief Operating Officer of Canadian Pacific Limited until 1995.

Robert W. Hiller
Corporate Director
Mr. Hiller has served as a director and senior officer of a number of large multinational food companies in the United States and in Canada. Until 1991, he was Senior Vice-President and Chief Financial Officer of the Campbell Soup Company Limited.

Donald E. Loadman
Corporate Director and Business Consultant
Mr. Loadman's career includes service in Canada and the United States with three multi-national food and packaged goods companies. Mr. Loadman has served as Chairman of the Board of Pillsbury International and of Ault Foods Limited. Mr. Loadman resides in California.

G. Wallace F. McCain O.C.
Chairman, Maple Leaf Foods Inc.
Mr. McCain was appointed Chairman following the acquisition of the Company in April 1995. Mr. McCain co-founded McCain Foods Limited in 1956 which has grown to become one of the largest frozen food companies in the world. Mr. McCain was President and Co-Chief Executive Officer of McCain Foods Limited until 1994 and is currently its Vice-Chairman.

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group, Maple Leaf Foods Inc.
Before joining Maple Leaf Foods Inc. in April 1995, Mr. McCain was Vice-President for Production of McCain Foods Limited in Canada, a company he joined in 1978. Mr. Scott McCain is a director of McCain Foods Group Inc. and a member of the Board of Regents of Mount Allison University.

Michael H. McCain
President and Chief Executive Officer, Maple Leaf Foods Inc.
Mr. McCain joined Maple Leaf Foods Inc. in April 1995, after 16 years with McCain Foods Limited in Canada and the United States. Prior to leaving in March 1995 and becoming the President of Maple Leaf Foods Inc., he was the President and Chief Executive Officer of McCain Foods USA Inc. Mr. McCain is a member of the Board of Trustees of The Hospital for Sick Children in Toronto.

J. Edward Newall O.C.
Chairman of the Board, NOVA Chemicals Corporation (Petrochemicals)
In 1998 Mr. Newall retired as Vice-Chairman and Chief Executive Officer of NOVA Corporation. Mr. Newall is also a director of a number of Canadian companies including BCE Inc. and Canadian Pacific Limited and is the Chair of the Board of Governors of the University of Calgary.

Gordon Ritchie
Chairman of Public Affairs, Hill & Knowlton Canada (Government and public relations company)
Mr. Ritchie has served on the boards of a number of leading Canadian companies. He is also Chief Executive of Strategico Inc., a business consultancy he founded in 1988 following 22 years of distinguished public service with the Government of Canada. As Ambassador for Trade Negotiations, Mr. Ritchie was one of the principle architects of the Canada/United States Free Trade Agreement. He is the Chair of the University of Ottawa Heart Institute.

Robert T. Stewart
Corporate Director
Mr. Stewart is a director of a number of companies including B.C. Gas Inc. and Royal Bank of Canada. Mr. Stewart had a 40-year career with Scott Paper Limited, retiring in 1995 as Chairman and Chief Executive Officer.

Senior Management and Officers

Corporate Council

G. Wallace F. McCain
Chairman

Michael H. McCain
President and Chief Executive Officer and Chief Operating Officer, Meat Products Group

Richard A. Lan
President and Chief Operating Officer, Bakery Products Group

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group

Thomas P. Muir
Chief Financial Officer

Michael E. Detlefsen
Executive Vice-President, Vertical Coordination

Michael H. Vels
Executive Vice-President, Finance

Rocco Cappuccitti
Vice-President and Corporate Secretary

Wayne Johnson
Vice-President, Human Resources

Executive Council

(Includes Members of the Corporate Council and Senior Operating Management as follows)

Ronald J. Arnason
President, Landmark Feeds Inc.

Henry G. Beben
President, Maple Leaf Developments

M. Edward Bilyea
President, Maple Leaf Foods International

Roger M. Dickhout
President, Canada Bread Company, Limited

Brock J. Furlong
President, Maple Leaf Poultry

Kevin P. Golding
President, Rothsay

F. Dickson Gould
President, Elite Swine Inc.

Patrick F. Jones
Vice-President

Bruce Miyashita
Vice-President, Six Sigma

Randy Powell
President, Maple Leaf Pork

Peter C. Smith
Vice-President, Corporate Engineering

George A. Szewchuk
Vice-President, Purchasing

Jerry Vergeer
President, Shur-Gain

Richard Young
President, Maple Leaf Consumer Foods

Other Corporate Officers

J. Nicholas Boland
Vice-President and Corporate Controller

Natalie Marche
Vice-President and Treasurer

Judith A. Robinson
Assistant Corporate Secretary

Corporate Information

Capital Stock

The Company's authorized capital consists of an unlimited number of voting and 23,400,000 non-voting common shares. At December 31, 2000, 73,057,176 voting shares and 22,000,000 non-voting shares were issued and outstanding, for a total of 95,057,176 outstanding shares. There were 1,261 shareholders of record of which 1,217 were registered in Canada, holding 99.4% of the issued voting shares.

All of the issued non-voting shares are held by Ontario Teachers' Pension Plan Board. These non-voting shares may be converted into voting shares at any time.

Ownership

The Company's major shareholders are McCain Capital Corporation holding 31,509,146 shares representing 33.2% of the total issued and outstanding shares issued and Ontario Teachers' Pension Plan Board holding 15,874,003 voting shares and 22,000,000 non-voting shares representing 39.9% of the total issued and outstanding shares. The remainder of the issued and outstanding shares are publicly held.

Corporate Office

Maple Leaf Foods Inc.
30 St. Clair Avenue West
Suite 1500
Toronto, Ontario
Canada M4V 3A2
Tel: (416) 926-2000
Fax: (416) 926-2018

Annual Meeting

The annual meeting of shareholders of Maple Leaf Foods Inc. will be held on Friday, April 27, 2001 at 11:00 a.m. at the Glenn Gould Studio, Canadian Broadcasting Centre, 250 Front Street, West, Toronto, Ontario.

Dividends

The declaration and payment of quarterly dividends are made at the discretion of the Board of Directors. Anticipated payment dates in 2001: March 30, June 29, September 28 and December 31.

Corporate Information

Shareholder Inquiries
Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:
Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario M5J 2Y1
Tel: (416) 263-9701
or 1-800-663-9097

Company Information
For public and media inquiries, please call (416) 926-2000 or visit our website www.mapleleaf.ca.

For investment analyst inquiries, please contact our Chief Financial Officer at (416) 926-2000.

For copies of annual and quarterly reports, annual information form and other disclosure documents, please contact our Vice-President and Corporate Secretary at (416) 926-2000.

Transfer Agent and Registrar
Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario M5J 2Y1
Tel: (416) 263-9701
or 1-800-663-9097

Auditors
KPMG LLP
Toronto, Ontario

Stock Exchange Listing and Stock Symbol
The Company's voting common shares are listed on The Toronto Stock Exchange and trade under the symbol "MFI".

Rapport Annuel
Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez écrire à l'adresse suivante; Secrétaire de la société, Les Aliments Maple Leaf Inc., 30 St. Clair Avenue West, Toronto, Ontario M4V 3A2



MAPLE LEAF

MAPLE LEAF FOODS INC.

30 ST. CLAIR AVENUE WEST, SUITE 1500

TORONTO, ONTARIO, CANADA M4V 3A2

www.mapleleaf.ca

PRINTED IN CANADA